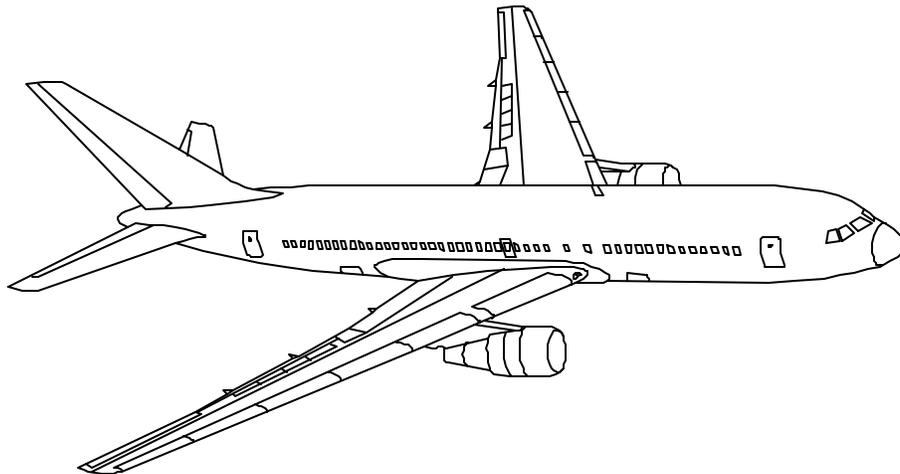


AIRLINE QUARTERLY FINANCIAL REVIEW

SECOND QUARTER 1996



MAJORS



DEPARTMENT OF TRANSPORTATION
OFFICE OF AVIATION ANALYSIS
ECONOMIC AND FINANCIAL ANALYSIS DIVISION

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INTRODUCTION

This report contains staff comments, tables and charts on the financial condition of the U.S. major airlines.

The data are presented on both a carrier group and an individual carrier basis, but the primary focus is on the individual major carrier and its performance. Data are presented for the most recent quarterly period and the comparable quarter a year earlier and also on a 12-month ended basis as at the end of the five most recent quarters. In addition, data on charges over comparable periods 12-months earlier are presented. A graphic presentation of comparative trends, on a carrier group basis, is made for several unit and overall financial indicators. In the case of merged carriers, data for the carriers involved have been combined and presented under the name of the surviving carrier so that meaningful comparisons could be made.

All data presented in this financial and traffic review are derived from data reported to the U.S. Department of Transportation on Form 41 Schedules by Large Certificated Air Carriers. For comparison purposes, this analysis is limited to the major scheduled passenger and all-cargo air carriers only. Alaska Airlines, with revenues exceeding \$1 billion in calendar year 1995, became a major airline effective January 1, 1996, and is included in this review for the first time. All financial and traffic results have been retroactively restated to include the operations of Alaska. Certain data in this review is classified in two broad categories : namely "domestic" and "international". "Domestic" encompasses operations within and between the 50 states of the United States, the District of Columbia, the Commonwealth of Puerto Rico, and the U.S. Virgin Islands. It also encompasses Canadian transborder operations and for certain carriers Mexican transborder operations. All other operations are considered "international", which is separated into Atlantic, Latin, and Pacific.

Suggestions from users for the improving either the scope, presentation, or utility of this review are invited. It will also be appreciated if suggestions, discrepancies, and errors in the data are called to the attention of the Economic & Financial Division, Office of Aviation Analysis, Office of the Secretary, U.S. Department of Transportation, Washington, D.C. 20590.

QUARTERLY FINANCIAL & TRAFFIC REVIEW
TOTAL SYSTEM PASSENGER & ALL-CARGO MAJORS

QUARTERLY RESULTS

- o Operating and net profit for the second quarter 1996 reached all-time highs for any quarter in airline history. All major carriers reported an operating and net profit and, except for American and United, all majors experienced gains in both operating and net results.
- o Five majors (Alaska, America West, Continental, Southwest and USAir) reported all-time company records in both operating and net results during the second quarter 1996. In addition, Federal Express reported a record operating profit and American reported a record net profit. Northwest and United had the best operating and net results for any second quarter in their history.
- o Operating revenues, up 7.7 percent, grew faster than operating expenses, up 6.8 percent, boosting operating profit \$332.2 million to \$2.43 billion.
- o Net income also improved, rising \$276.9 million to \$1.37 billion.

OPERATING PROFIT (LOSS) AND NET INCOME (LOSS) 1/ (\$MILLIONS)						
CARRIER	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)		
	2Q 95	2Q 96	\$CHANGE	2Q 95	2Q 96	\$CHANGE
TOTAL ALL MAJORS	2094.8	2427.0	332.2	1096.1	1373.0	276.9
TOTAL PASSENGER MAJORS	1929.3	2243.6	314.3	1017.2	1282.2	265.0
ALASKA	23.5	37.4	13.9	8.6	19.0	10.4
AMERICA WEST	53.0	62.1	9.1	20.9	28.4	7.5
AMERICAN	455.8	447.4	-8.4	191.2	212.7	21.5
CONTINENTAL	96.5	206.1	109.6	117.7	176.0	58.3
DELTA	448.4	291.0	-157.4	250.9	161.4	-89.5
NORTHWEST	256.0	388.7	132.7	131.7	217.6	85.9
SOUTHWEST	102.6	142.2	39.6	59.7	85.3	25.6
TRANS WORLD	56.5	62.0	5.5	5.2	25.3	20.1
UNITED	302.3	400.0	97.7	153.6	195.9	42.3
US AIRWAYS	134.7	206.6	71.9	77.8	160.6	82.8
TOTAL ALL-CARGO MAJORS	165.5	183.4	17.9	78.9	90.8	11.9
FEDERAL EXPRESS	165.4	182.1	16.7	78.8	89.7	10.9
UNITED PARCEL	0.1	1.2	1.1	0.1	1.2	1.1

- o Every major carrier cut total interest expense, which for the overall group fell \$126.4 million to \$476.3 million, the lowest interest expense for any quarter since the fourth quarter 1992. This decline occurred in large part due to the \$5.2 billion cut in total debt to \$19 billion.
- o Total fuel expense, which comprises 10.6 percent of total operating expense, jumped 17.9 percent over a year ago.

12-MONTH RESULTS

- o For the third consecutive quarter-ended 12-month period, the major group attained a new all-time high in operating profit and in net income.
- o All majors reported an operating and net profit for the period, and eight of the twelve majors saw year-to-year improvements in both operating and net results.
- o Operating profit soared \$1.47 billion to \$5.69 billion. Delta reported a \$556 million nonrecurring writedown during the first quarter 1996. Without this adjustment, operating profit would have been \$6.25 billion.
- o Net results surged upward \$1.82 billion to \$2.54 billion.
- o RTM yield growth, up 3.8 percent, more than doubled the 1.6 percent increase in RTM unit costs, enhancing profitability.
- o Interest expense dropped \$300 million to \$2.1 billion as all majors, except UPS, cut its total debt, which for the total group was down \$5.05 billion to \$22.4 billion.
- o The debt-to-investment ratio fell 14.9 percentage points to 55 percent, the lowest level since 1989.

**QUARTERLY FINANCIAL & TRAFFIC REVIEW
SYSTEM OPERATIONS
TOTAL PASSENGER & ALL-CARGO MAJORS**

ITEMS	QUARTER ENDED		12 MONTHS ENDED					
	9606	9506	9606	9603	9512	9509	9506	
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	23,399.7	21,726.9	88,139.1	86,466.3	84,994.9	83,846.3	82,671.8
2	Operating Expenses	20,972.7	19,632.1	82,447.6	81,107.0	79,439.7	78,837.0	78,452.4
3	Operating Profit (Loss)	2,427.0	2,094.8	5,691.5	5,359.3	5,555.2	5,009.3	4,219.4
4	Net Income (Loss)	1,373.0	1,096.1	2,543.0	2,266.1	2,234.6	1,150.3	718.6
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	138.53	129.87	525.27	516.61	509.53	508.06	506.40
6	ASMs - Scheduled Rev. Svc.	194.20	189.30	764.52	759.62	757.18	757.81	756.11
7	Overall RTMs (All Svc.)	18.48	17.51	70.79	69.82	69.12	69.04	68.90
8	Overall ATMs (All Svc.)	31.51	30.53	124.08	123.10	122.54	122.38	121.83
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	126.6	124.1	124.5	123.8	123.0	121.4	120.0
10	Operating Expense per RTM	113.5	112.1	116.5	116.2	114.9	114.2	113.9
11	Operating Profit (Loss) per RTM	13.1	12.0	8.0	7.7	8.0	7.3	6.1
12	Operating Expense per ATM	66.6	64.3	66.4	65.9	64.8	64.4	64.4
13	Passenger Revenue per RPM	13.11	12.87	12.87	12.80	12.71	12.58	12.46
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Invest	*	*	2.15	1.92	1.89	1.86	1.84
15	Times Interest Earned	*	*	2.92	2.59	2.56	2.09	1.71
16	Current Assets to Current Liabilities	*	*	0.74	0.73	0.71	0.76	0.71
17	No. of Days Cash Coverage of Cash	*	*	35.4	31.6	31.5	40.4	39.2
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating	10.4	9.6	6.5	6.2	6.5	6.0	5.1
19	Net Income to Stockholders Equity	*	*	15.9	15.4	16.0	8.6	5.6
20	Corporate Return on Investment	*	*	11.1	9.9	10.0	7.7	6.8
21	Debt to Total Investment	*	*	55.0	60.0	61.5	62.3	66.9
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	71.3	68.6	68.7	68.0	67.3	67.0	67.0
23	Breakeven	63.9	62.9	65.6	65.4	64.6	64.8	65.7
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg C	448,661	440,984	443,733	441,814	441,640	442,592	445,481
25	Overall RTM's per Employee (000)	41.2	39.7	159.5	158.0	156.5	156.0	154.7

CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER								
26	Operating Revenues (%)	7.7	5.8	6.6	6.1	5.1	4.5	3.8
27	Operating Expenses (%)	6.8	-0.4	5.1	3.3	1.4	1.3	1.1
28	Operating Profit (Loss) (in Millions \$)	332.2	1,275.4	1,472.1	2,415.6	3,021.3	2,586.2	2,185.0
29	Net Income (Loss)(in Millions \$)	276.9	969.6	1,824.4	2,517.2	2,790.2	76.4	-11.1
30	RPMs (Sch. Svc.) (%)	6.7	4.4	3.7	3.1	3.0	4.4	5.4
31	ASMs (Sch. Svc.) (%)	2.6	2.3	1.1	1.0	1.7	2.5	2.2
32	Operating Revenues per RTM (%)	2.0	1.4	3.8	3.6	2.0	-0.5	-2.7
33	Operating Expense per RTM (%)	1.2	-4.7	2.3	0.9	-1.6	-3.6	-5.3
34	Passenger Revenue per RPM (Sch.	1.9	1.3	3.3	3.1	1.5	-0.7	-2.6

**QUARTERLY FINANCIAL & TRAFFIC REVIEW
DOMESTIC OPERATIONS
TOTAL PASSENGER & ALL-CARGO MAJORS**

ITEMS	QUARTER ENDED		12 MONTHS ENDED					
	9606	9506	9606	9603	9512	9509	9506	
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	17,973.5	16,535.2	66,895.2	65,456.9	64,317.2	63,313.5	62,447.4
2	Operating Expenses	15,753.2	14,745.5	61,727.4	60,719.7	59,721.1	59,363.9	59,117.0
3	Operating Profit (Loss)	2,220.3	1,789.7	5,167.8	4,737.2	4,596.1	3,949.5	3,330.5
4	Net Income (Loss)	1,251.9	952.2	2,380.8	2,081.1	1,866.9	753.6	444.8
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	100.73	94.25	378.63	372.15	367.50	367.63	367.34
6	ASMs - Scheduled Rev. Svc.	143.67	139.80	563.87	560.00	559.46	561.06	560.55
7	Overall RTMs (All Svc.)	12.66	11.97	48.19	47.49	47.02	47.02	47.00
8	Overall ATMs (All Svc.)	21.78	21.18	85.81	85.21	85.06	85.22	85.05
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	141.9	138.2	138.8	137.8	136.8	134.7	132.9
10	Operating Expense per RTM	124.4	123.2	128.1	127.8	127.0	126.3	125.8
11	Operating Profit (Loss) per RTM	17.5	15.0	10.7	10.0	9.8	8.4	7.1
12	Operating Expense per ATM	72.3	69.6	71.9	71.3	70.2	69.7	69.5
13	Passenger Revenue per RPM	13.98	13.52	13.59	13.47	13.34	13.13	12.96
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Invest	*	*	**	**	**	**	**
15	Times Interest Earned	*	*	**	**	**	**	**
16	Current Assets to Current Liabilities	*	*	**	**	**	**	**
17	No. of Days Cash Coverage of Cash	*	*	**	**	**	**	**
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating	12.4	10.8	7.7	7.2	7.1	6.2	5.3
19	Net Income to Stockholders Equity	*	*	**	**	**	**	**
20	Corporate Return on Investment	*	*	13.2	11.7	11.0	7.9	7.0
21	Debt to Total Investment	*	*	**	**	**	**	**
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	70.1	67.4	67.1	66.5	65.7	65.5	65.5
23	Breakeven	61.1	61.3	63.3	63.5	63.1	63.7	64.5
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg C	*	*	**	**	**	**	**
25	Overall RTM's per Employee (000)	*	*	**	**	**	**	**

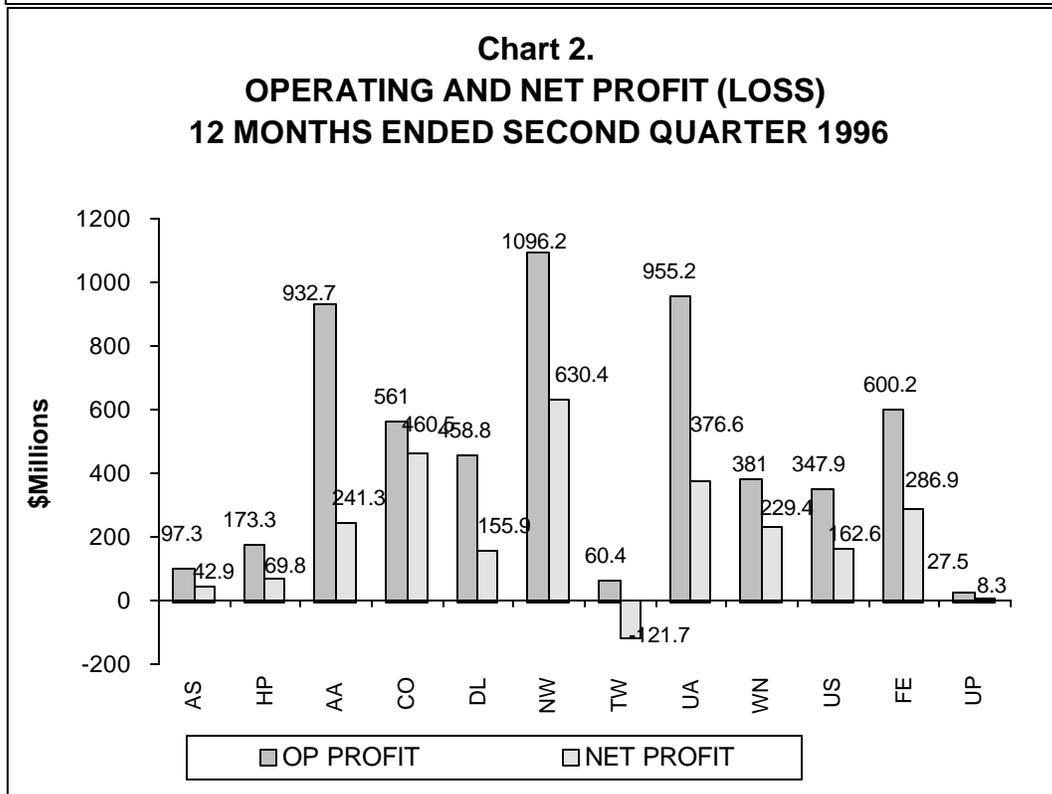
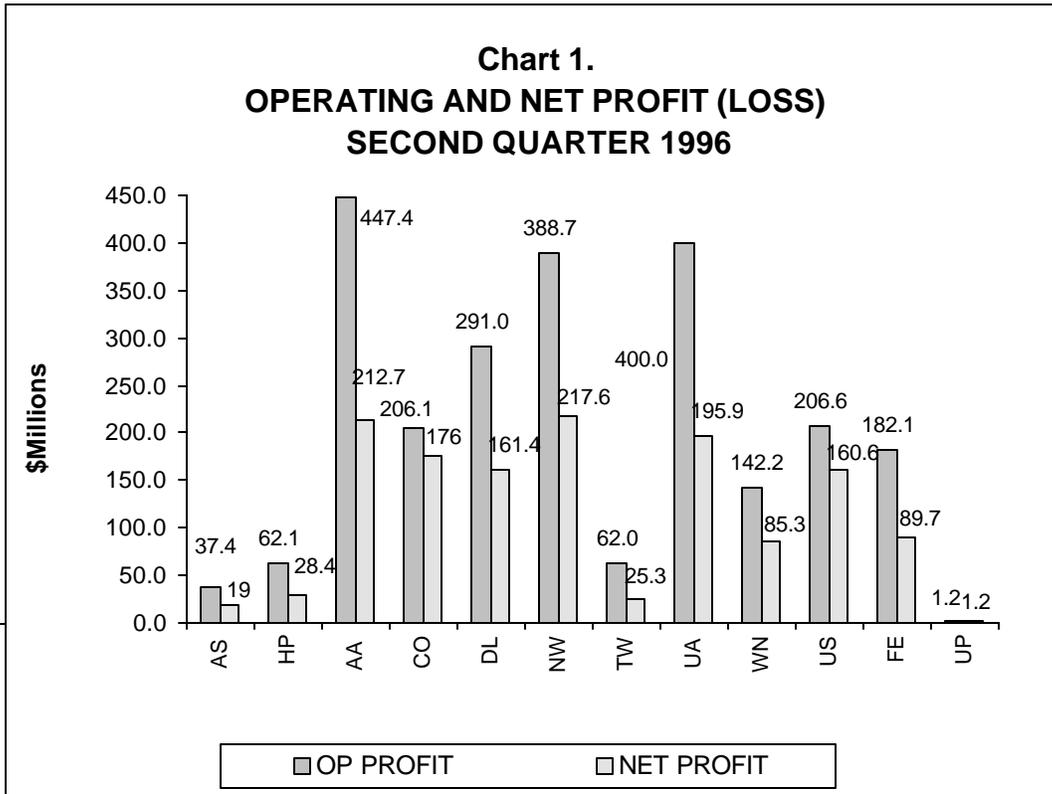
CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER								
26	Operating Revenues (%)	8.7	6.4	7.1	6.5	5.6	4.7	4.2
27	Operating Expenses (%)	6.8	0.1	4.4	2.7	1.5	2.0	2.3
28	Operating Profit (Loss) (in Millions \$)	430.6	979.4	1,837.3	2,386.4	2,509.6	1,675.9	1,172.9
29	Net Income (Loss)(in Millions \$)	299.7	760.0	1,936.0	2,396.2	2,359.1	-233.4	-314.2
30	RPMs (Sch. Svc.) (%)	6.9	4.6	3.1	2.5	2.8	4.8	6.2
31	ASMs (Sch. Svc.) (%)	2.8	2.3	0.6	0.5	1.6	2.9	2.9
32	Operating Revenues per RTM (%)	2.7	2.6	4.4	4.4	2.8	-0.1	-2.3
33	Operating Expense per RTM (%)	1.0	-3.5	1.8	0.6	-1.2	-2.6	-4.1
34	Passenger Revenue per RPM (Sch.	3.4	1.4	4.9	4.4	2.4	-0.9	-3.3

**QUARTERLY FINANCIAL & TRAFFIC REVIEW
INTERNATIONAL OPERATIONS
TOTAL PASSENGER & ALL-CARGO MAJORS**

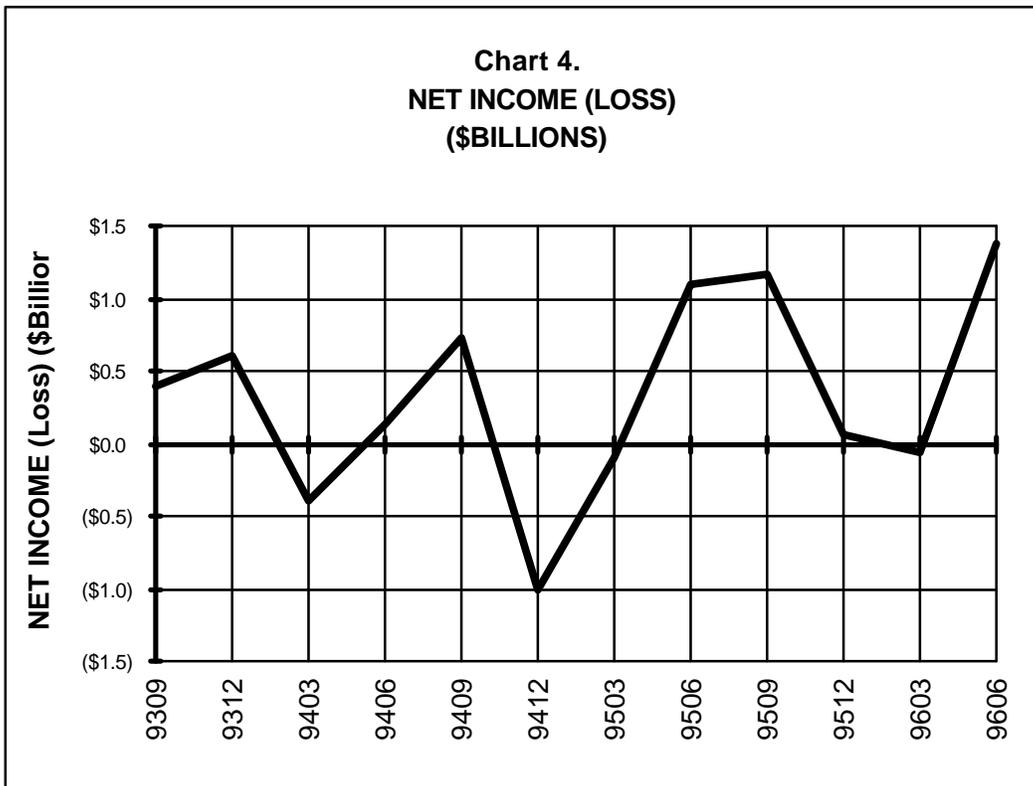
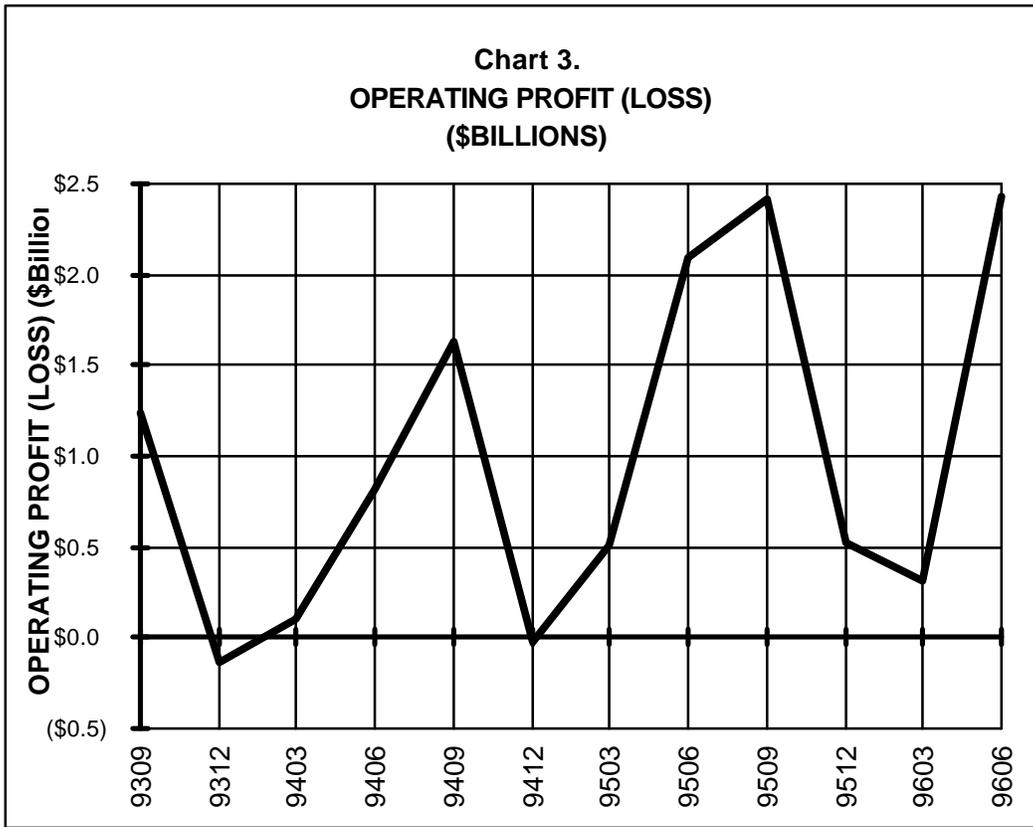
ITEMS	QUARTER ENDED		12 MONTHS ENDED					
	9606	9506	9606	9603	9512	9509	9506	
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	5,426.1	5,191.6	21,243.9	21,009.4	20,677.7	20,532.9	20,224.3
2	Operating Expenses	5,219.4	4,886.6	20,720.1	20,387.3	19,718.6	19,473.1	19,335.4
3	Operating Profit (Loss)	206.7	305.0	523.8	622.1	959.1	1,059.8	888.9
4	Net Income (Loss)	121.2	143.9	162.2	185.0	367.7	396.7	273.7
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	37.79	35.62	146.63	144.46	142.04	140.43	139.06
6	ASMs - Scheduled Rev. Svc.	50.53	49.51	200.65	199.62	197.72	196.75	195.56
7	Overall RTMs (All Svc.)	5.82	5.54	22.60	22.32	22.10	22.02	21.90
8	Overall ATMs (All Svc.)	9.73	9.34	38.27	37.89	37.48	37.16	36.78
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	93.2	93.6	94.0	94.1	93.6	93.2	92.3
10	Operating Expense per RTM	89.7	88.1	91.7	91.3	89.2	88.4	88.3
11	Operating Profit (Loss) per RTM	3.6	5.5	2.3	2.8	4.3	4.8	4.1
12	Operating Expense per ATM	53.7	52.3	54.1	53.8	52.6	52.4	52.6
13	Passenger Revenue per RPM	10.82	11.14	11.01	11.09	11.09	11.17	11.15
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Invest	*	*	**	**	**	**	**
15	Times Interest Earned	*	*	**	**	**	**	**
16	Current Assets to Current Liabilities	*	*	**	**	**	**	**
17	No. of Days Cash Coverage of Cash	*	*	**	**	**	**	**
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating	3.8	5.9	2.5	3.0	4.6	5.2	4.4
19	Net Income to Stockholders Equity	*	*	**	**	**	**	**
20	Corporate Return on Investment	*	*	5.4	5.9	8.1	8.7	7.7
21	Debt to Total Investment	*	*	**	**	**	**	**
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	74.8	72.0	73.1	72.4	71.8	71.4	71.1
23	Breakeven	73.0	67.7	72.5	71.2	69.0	68.2	68.7
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg C	*	*	**	**	**	**	**
25	Overall RTM's per Employee (000)	*	*	**	**	**	**	**

CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER								
26	Operating Revenues (%)	4.5	4.0	5.0	4.9	3.5	3.8	2.6
27	Operating Expenses (%)	6.8	-2.0	7.2	4.9	0.9	-0.8	-2.6
28	Operating Profit (Loss) (in Millions \$)	-98.3	296.0	-365.1	29.2	511.7	910.2	1,012.2
29	Net Income (Loss)(in Millions \$)	-22.7	209.6	-111.5	120.9	431.1	309.8	303.0
30	RPMs (Sch. Svc.) (%)	6.1	3.9	5.4	4.9	3.7	3.4	3.4
31	ASMs (Sch. Svc.) (%)	2.1	2.1	2.6	2.6	2.0	1.4	0.1
32	Operating Revenues per RTM (%)	-0.4	-1.0	1.8	1.6	-0.2	-1.5	-4.0
33	Operating Expense per RTM (%)	1.8	-6.6	3.9	1.6	-2.7	-5.9	-8.7
34	Passenger Revenue per RPM (Sch.	-2.9	1.0	-1.3	-0.4	-0.8	0.3	-0.7

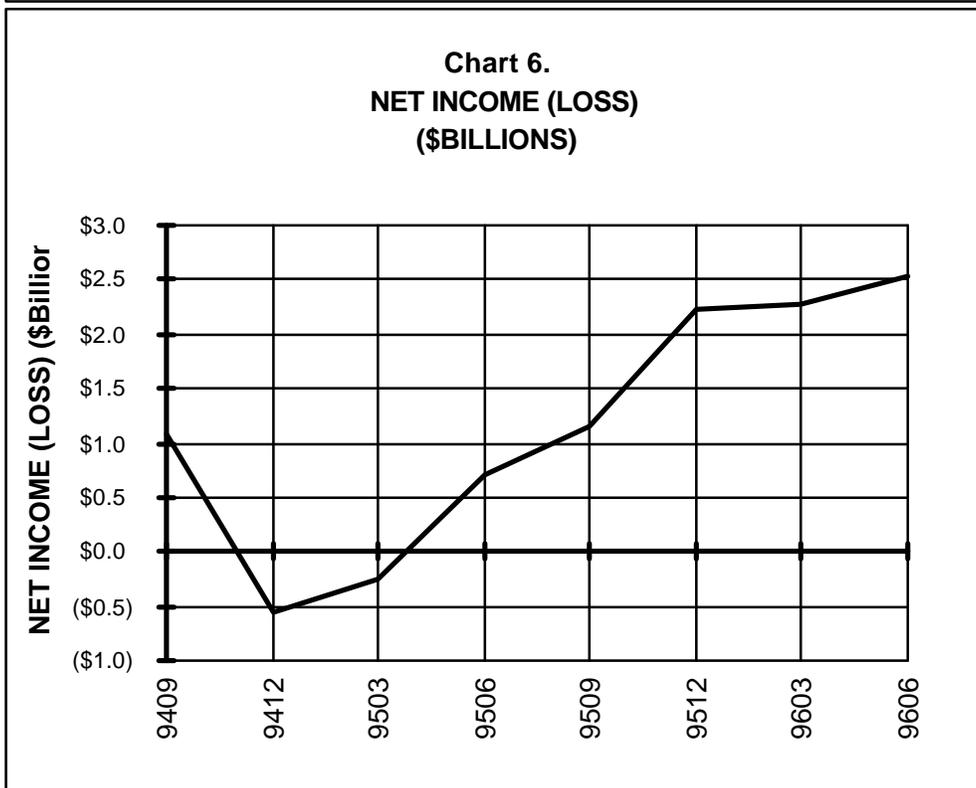
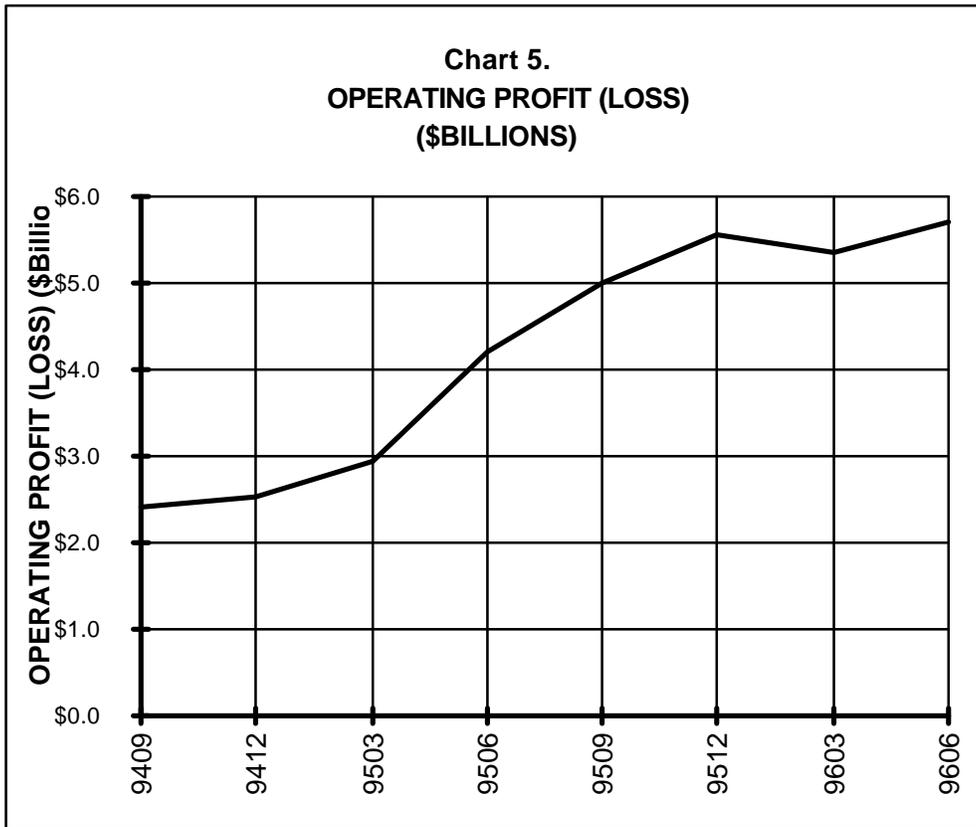
COMPARISONS AMONG MAJOR GROUP AIRLINES



TOTAL ALL MAJORS (SYSTEM) BY QUARTER



TOTAL ALL MAJORS (SYSTEM) BY 12-MONTH ENDING PERIODS



TOTAL ALL MAJORS (SYSTEM) QUARTERLY AND 12-MONTH BASIS

Chart 7.
OPERATING REVENUE PER REVENUE TON-MILE
PERCENT CHANGE FROM SAME PERIOD A YEAR EARLIER

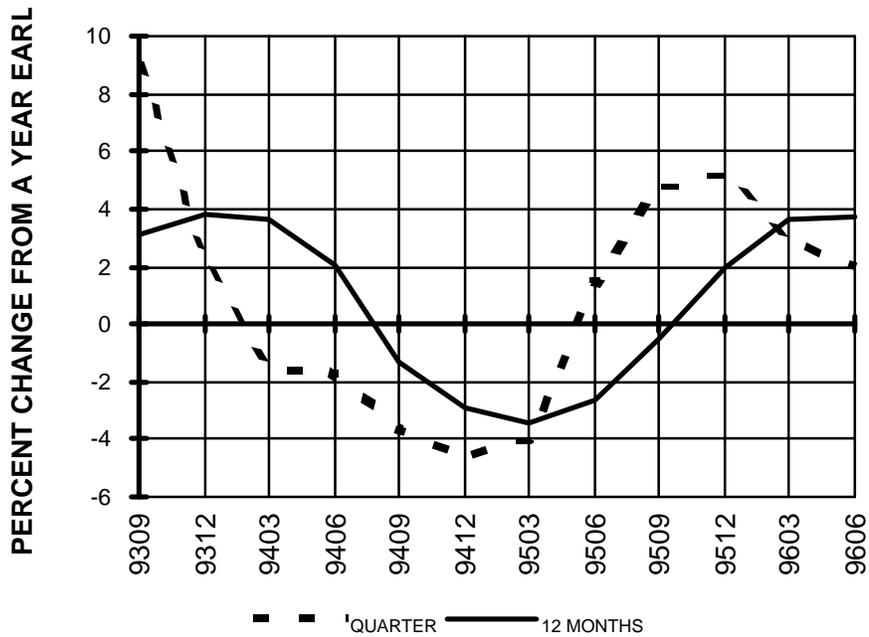
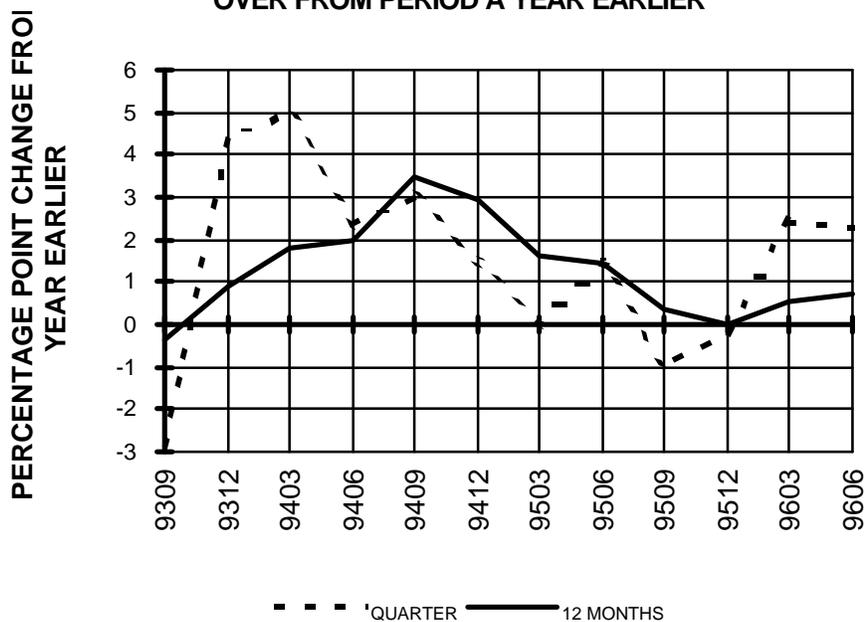


Chart 8.
TON LOAD FACTOR PERCENTAGE POINT CHANGE
OVER FROM PERIOD A YEAR EARLIER



TOTAL ALL MAJORS (SYSTEM) QUARTERLY AND 12-MONTH BASIS

Chart 9.
OPERATING EXPENSE PER REVENUE TON-MILE
PERCENT CHANGE FROM SAME PERIOD A YEAR EARLIER

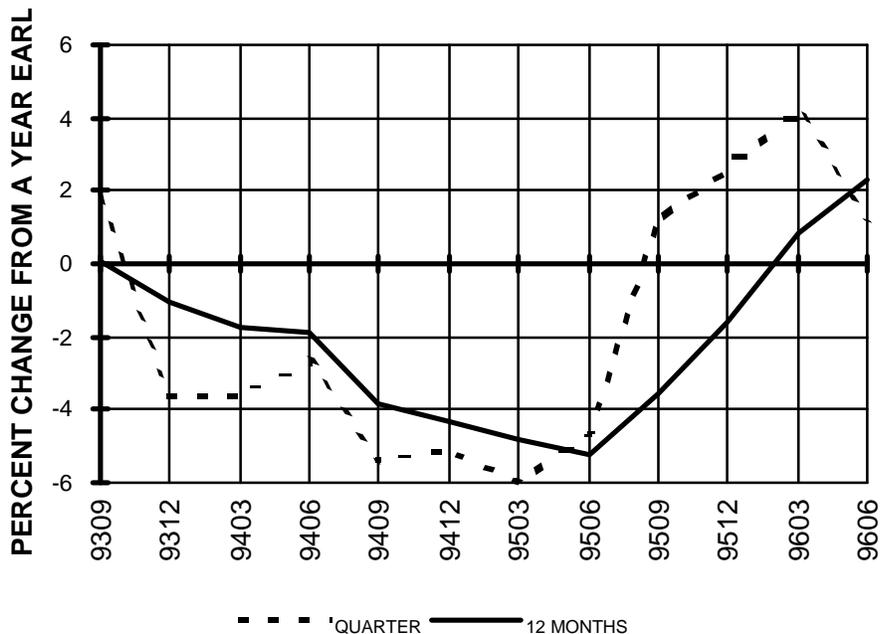
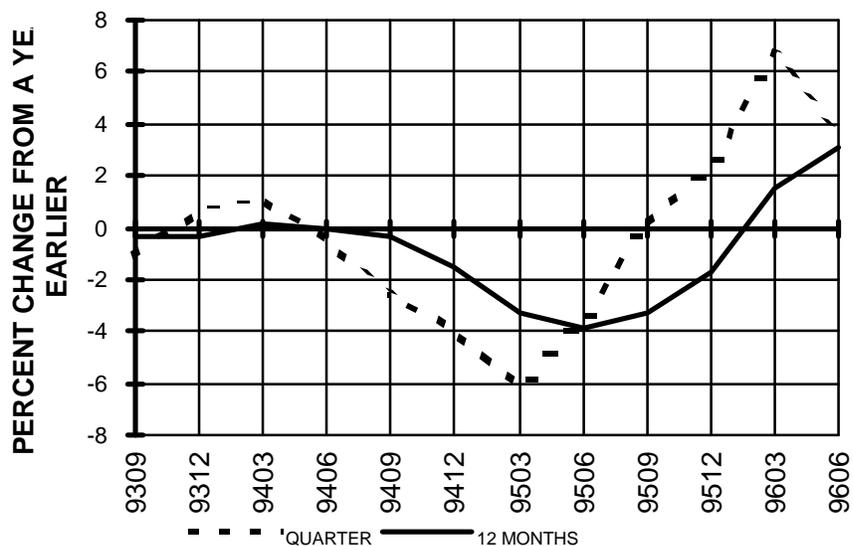


Chart 10.
OPERATING EXPENSE PER AVAILABLE TON-MILE
PERCENT CHANGE FROM SAME PERIOD A YEAR EARLIER



QUARTERLY FINANCIAL & TRAFFIC REVIEW
TOTAL PASSENGER MAJORS

QUARTERLY RESULTS

- o For the second quarter, all passenger majors reported an operating and net profit. Except for Delta, which had a deterioration in both operating and net results, and American, with a decline in operating results, all passenger majors achieved improved operating and net results. Four carriers (America West, Continental, Southwest and USAir) reported all-time carrier highs in both operating and net results. Alaska experienced its best operating profit ever, and American experienced an all-time high in net results. Two other majors, Northwest and United, posted carrier records for any second quarter in both operating and net results.
- o Operating revenues grew 7.3 percent, outpacing the 6.3 percent rise in operating expenses boosting operating profit \$314.3 million to \$2.24 billion, an all-time high for the group.
- o Net results jumped \$265 million to \$1.28 billion, also an all-time high.

Quarter Ended	\$ Millions					
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)		
	LAST YEAR 1995	THIS YEAR 1996	\$ Change	LAST YEAR 1995	THIS YEAR 1996	\$ Change
March	357.0	184.4	-172.6	-182.9	-122.7	60.2
June	1,929.3	2,243.6	314.3	1,017.2	1,282.2	265.0
Sept.	2,275.5	2,267.4	-8.2	1,096.2	1,146.4	50.2
Dec.	360.3	569.9	209.5	-8.0	124.6	132.6

- o RPMs rose a strong 6.7 percent, while ASMs increased a slower 2.6 percent, causing the passenger load factor to gain 2.7 percentage points to 71.3 percent, 7.6 points above operating breakeven.
- o Except for Northwest, all majors showed an increase in passenger (RPM) yield, which for the group gained 1.1 percent to 13.01 cents.
- o Domestic operating results, up \$404.1 million to \$2 billion, and net results, up \$284.1 million to \$1.14 billion, provided all of the improvement in systemwide operations as overall international operations were down.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1995	1996	\$ Change	1995	1996	\$ Change	1995	1996	Change %	1995	1996	Change %	
Domestic	1,592.6	1,996.7	404.1	854.6	1,138.1	283.5	94.2	100.7	6.9	139.8	143.7	2.8	70.1%
Int'l	336.7	247.0	-89.7	162.6	144.1	-18.6	35.6	37.8	6.1	49.5	50.5	2.1	74.8%
Atlantic	151.7	121.0	-30.7	80.8	87.8	6.9	16.3	16.8	3.4	20.8	20.8	0.3	80.8%
Latin	53.7	31.4	-22.4	15.0	5.4	-9.6	5.6	6.2	9.2	9.5	10.1	6.2	61.1%
Pacific	131.3	94.6	-36.7	66.8	50.9	-15.9	13.7	14.8	8.0	19.2	19.6	1.9	75.5%
System	1,929.3	2,243.6	314.3	1,017.2	1,282.2	265.0	129.9	138.5	6.7	189.3	194.2	2.6	71.3%

- o All majors reported a decline in interest expense, which for the group fell \$123.2 million to \$451.3 million.
- o Total fuel expense rose 17.4 percent over a year ago. Despite this increase, total fuel expense as a percentage of total operating expenses declined from 12.5 percent a year ago to 11.3 percent. All majors, except for Continental, saw double-digit percentage increases in total fuel expense.

12-MONTH RESULTS

- o Except for a net loss by Trans World, all passenger majors reported an operating and net profit for the 12 months ended June 1996. American and Delta were the only majors to experience a deterioration in operating and/or net results.
- o Operating profit spiraled upward \$1.55 billion to \$5.06 billion as operating revenues, up 6.4 percent, grew faster than operating expenses, up 4.4 percent. Delta reported a \$556 million nonrecurring write-down during the first quarter 1996. Without this writedown, operating profit would have been \$5.62 billion
- o Net results soared \$1.89 billion to \$2.25 billion.
- o All majors reduced their debt load, down \$5.15 billion for the group. This, combined with the high level of earnings reported by the group, caused the debt-to-investment ratio to tumble 13.8 percentage points to 56.1 percent.
- o The passenger load factor was up 1.7 percentage points to 68.7 percent.
- o Passenger (RPM) yield, up over a year ago for the third consecutive quarter-ended 12-month period after five consecutive periods of decline, rose 3.3 percent to 12.87 cents. Only Northwest experienced a year-to-year decline.
- o The passenger major group, as a whole, continues to achieve productivity gains (RTMs per employee) rising from 162.8 to 169.1.

**QUARTERLY FINANCIAL & TRAFFIC REVIEW
SYSTEM OPERATIONS
TOTAL PASSENGER MAJORS**

ITEMS	QUARTER ENDED		12 MONTHS ENDED					
	9606	9506	9606	9603	9512	9509	9506	
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	20,283.2	18,901.4	76,173.8	74,792.1	73,539.7	72,591.3	71,611.6
2	Operating Expenses	18,039.5	16,972.2	71,109.9	70,042.5	68,617.5	68,254.1	68,095.3
3	Operating Profit (Loss)	2,243.6	1,929.3	5,063.9	4,749.5	4,922.2	4,337.2	3,516.3
4	Net Income (Loss)	1,282.2	1,017.2	2,247.7	1,982.7	1,922.5	803.1	358.0
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	138.53	129.87	525.27	516.61	509.53	508.06	506.40
6	ASMs - Scheduled Rev. Svc.	194.20	189.30	764.52	759.62	757.18	757.81	756.11
7	Overall RTMs (All Svc.)	16.30	15.44	62.16	61.30	60.65	60.71	60.67
8	Overall ATMs (All Svc.)	27.80	27.07	109.47	108.74	108.35	108.40	108.09
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	124.5	122.4	122.5	122.0	121.2	119.6	118.0
10	Operating Expense per RTM	110.7	109.9	114.4	114.3	113.1	112.4	112.2
11	Operating Profit (Loss) per RTM	13.8	12.5	8.1	7.7	8.1	7.1	5.8
12	Operating Expense per ATM	64.9	62.7	65.0	64.4	63.3	63.0	63.0
13	Passenger Revenue per RPM	13.11	12.87	12.87	12.80	12.71	12.58	12.46
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Invest	*	*	2.22	1.95	1.91	1.86	1.85
15	Times Interest Earned	*	*	2.75	2.43	2.39	1.88	1.47
16	Current Assets to Current Liabilities	*	*	0.70	0.69	0.67	0.73	0.67
17	No. of Days Cash Coverage of Cash	*	*	40.5	35.4	35.7	45.9	43.4
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating	11.1	10.2	6.6	6.4	6.7	6.0	4.9
19	Net Income to Stockholders Equity	*	*	17.8	17.2	17.8	7.7	3.7
20	Corporate Return on Investment	*	*	12.1	10.5	10.6	7.7	6.6
21	Debt to Total Investment	*	*	56.1	61.6	63.6	64.4	69.9
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	71.3	68.6	68.7	68.0	67.3	67.0	67.0
23	Breakeven	63.7	62.8	65.6	65.4	64.7	65.0	65.9
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg C	371,651	367,328	367,896	366,816	367,476	369,246	372,742
25	Overall RTM's per Employee (000)	43.8	42.0	169.0	167.1	165.1	164.4	162.8

CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER								
26	Operating Revenues (%)	7.3	5.2	6.4	5.8	4.4	3.5	2.6
27	Operating Expenses (%)	6.3	-2.0	4.4	2.3	0.1	-0.1	-0.4
28	Operating Profit (Loss) (in Millions \$)	314.3	1,272.1	1,547.6	2,505.5	3,063.9	2,548.1	2,086.5
29	Net Income (Loss)(in Millions \$)	265.0	954.4	1,889.7	2,579.1	2,795.8	-15.7	-140.0
30	RPMs (Sch. Svc.) (%)	6.7	4.4	3.7	3.1	3.0	4.4	5.4
31	ASMs (Sch. Svc.) (%)	2.6	2.3	1.1	1.0	1.7	2.5	2.2
32	Operating Revenues per RTM (%)	1.7	1.4	3.8	3.7	2.1	-0.4	-2.7
33	Operating Expense per RTM (%)	0.7	-5.5	2.0	0.4	-2.1	-3.9	-5.6
34	Passenger Revenue per RPM (Sch.	1.9	1.3	3.3	3.1	1.5	-0.7	-2.6

**QUARTERLY FINANCIAL & TRAFFIC REVIEW
DOMESTIC OPERATIONS
TOTAL PASSENGER MAJORS**

ITEMS	QUARTER ENDED		12 MONTHS ENDED					
	9606	9506	9606	9603	9512	9509	9506	
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	15,432.4	14,219.5	57,120.8	55,907.9	54,936.9	54,079.2	53,348.0
2	Operating Expenses	13,435.7	12,626.9	52,754.5	51,945.7	51,112.7	50,906.5	50,811.3
3	Operating Profit (Loss)	1,996.7	1,592.6	4,366.3	3,962.2	3,824.1	3,172.7	2,536.6
4	Net Income (Loss)	1,138.1	854.6	1,973.6	1,690.1	1,465.4	337.9	25.6
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	100.73	94.25	378.63	372.15	367.50	367.63	367.34
6	ASMs - Scheduled Rev. Svc.	143.67	139.80	563.87	560.00	559.46	561.06	560.55
7	Overall RTMs (All Svc.)	11.17	10.55	42.23	41.61	41.19	41.29	41.33
8	Overall ATMs (All Svc.)	19.24	18.78	75.68	75.22	75.19	75.47	75.43
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	138.2	134.8	135.3	134.4	133.4	131.0	129.1
10	Operating Expense per RTM	120.3	119.7	124.9	124.8	124.1	123.3	122.9
11	Operating Profit (Loss) per RTM	17.9	15.1	10.3	9.5	9.3	7.7	6.1
12	Operating Expense per ATM	69.8	67.2	69.7	69.1	68.0	67.5	67.4
13	Passenger Revenue per RPM	13.98	13.52	13.59	13.47	13.34	13.13	12.96
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Invest	*	*	**	**	**	**	**
15	Times Interest Earned	*	*	**	**	**	**	**
16	Current Assets to Current Liabilities	*	*	**	**	**	**	**
17	No. of Days Cash Coverage of Cash	*	*	**	**	**	**	**
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating	12.9	11.2	7.6	7.1	7.0	5.9	4.8
19	Net Income to Stockholders Equity	*	*	**	**	**	**	**
20	Corporate Return on Investment	*	*	0.0	0.0	0.0	0.0	0.0
21	Debt to Total Investment	*	*	**	**	**	**	**
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	70.1	67.4	67.1	66.5	65.7	65.5	65.5
23	Breakeven	61.1	61.4	63.5	63.7	63.4	64.0	64.9
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg C	*	*	**	**	**	**	**
25	Overall RTM's per Employee (000)	*	*	**	**	**	**	**

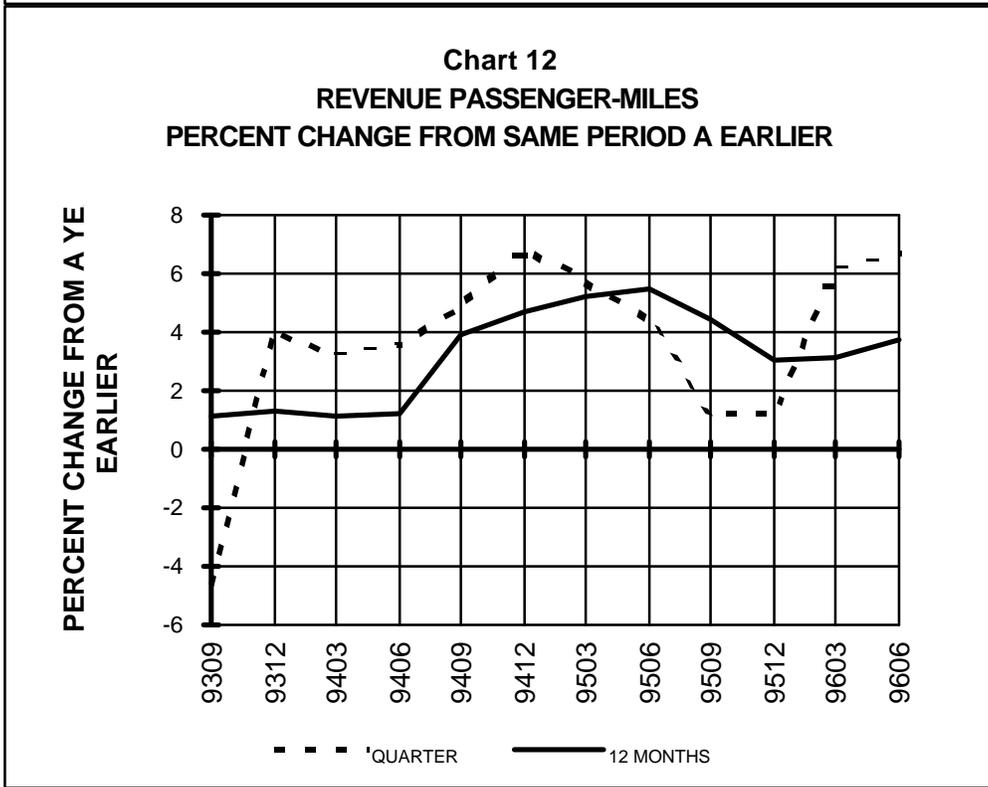
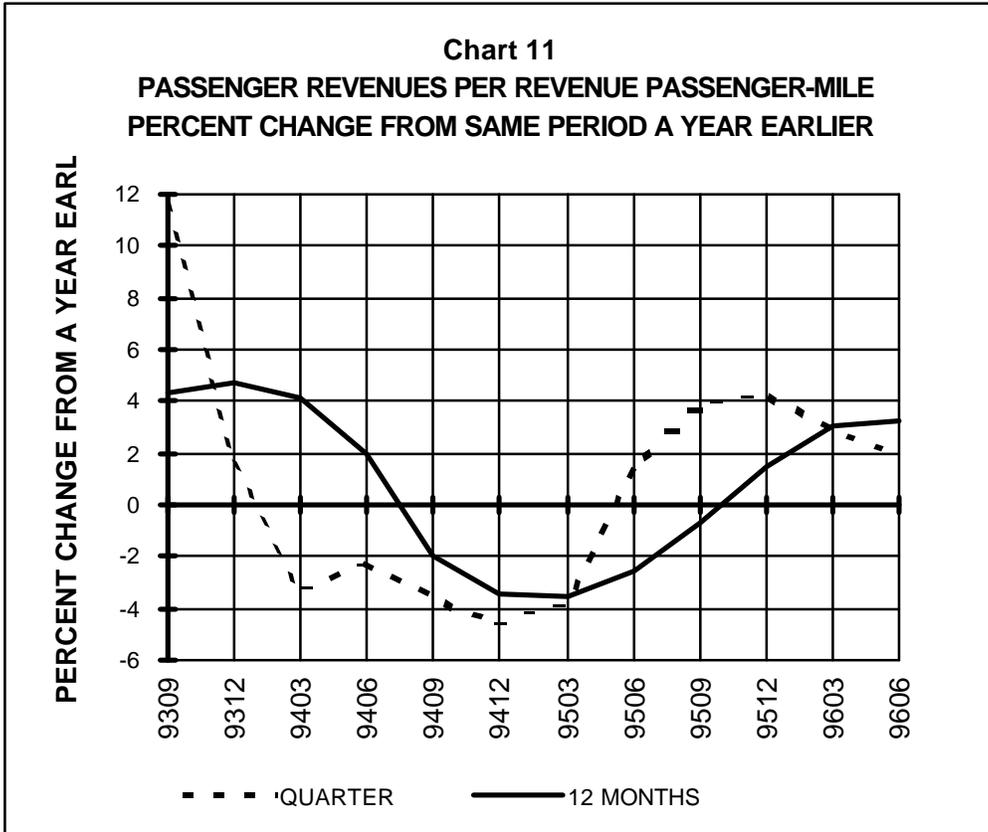
CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER								
26	Operating Revenues (%)	8.5	5.8	7.1	6.4	5.1	3.8	3.0
27	Operating Expenses (%)	6.4	-1.5	3.8	1.9	0.3	0.6	0.8
28	Operating Profit (Loss) (in Millions \$)	404.1	968.6	1,829.7	2,394.3	2,492.2	1,645.6	1,136.2
29	Net Income (Loss)(in Millions \$)	283.5	743.7	1,948.0	2,408.2	2,339.6	-290.3	-377.4
30	RPMs (Sch. Svc.) (%)	6.9	4.6	3.1	2.5	2.8	4.8	6.2
31	ASMs (Sch. Svc.) (%)	2.8	2.3	0.6	0.5	1.6	2.9	2.9
32	Operating Revenues per RTM (%)	2.5	2.5	4.8	4.8	3.0	-0.2	-2.5
33	Operating Expense per RTM (%)	0.5	-4.6	1.6	0.2	-1.7	-3.3	-4.6
34	Passenger Revenue per RPM (Sch.	3.4	1.4	4.9	4.4	2.4	-0.9	-3.3

**QUARTERLY FINANCIAL & TRAFFIC REVIEW
INTERNATIONAL OPERATIONS
TOTAL PASSENGER MAJORS**

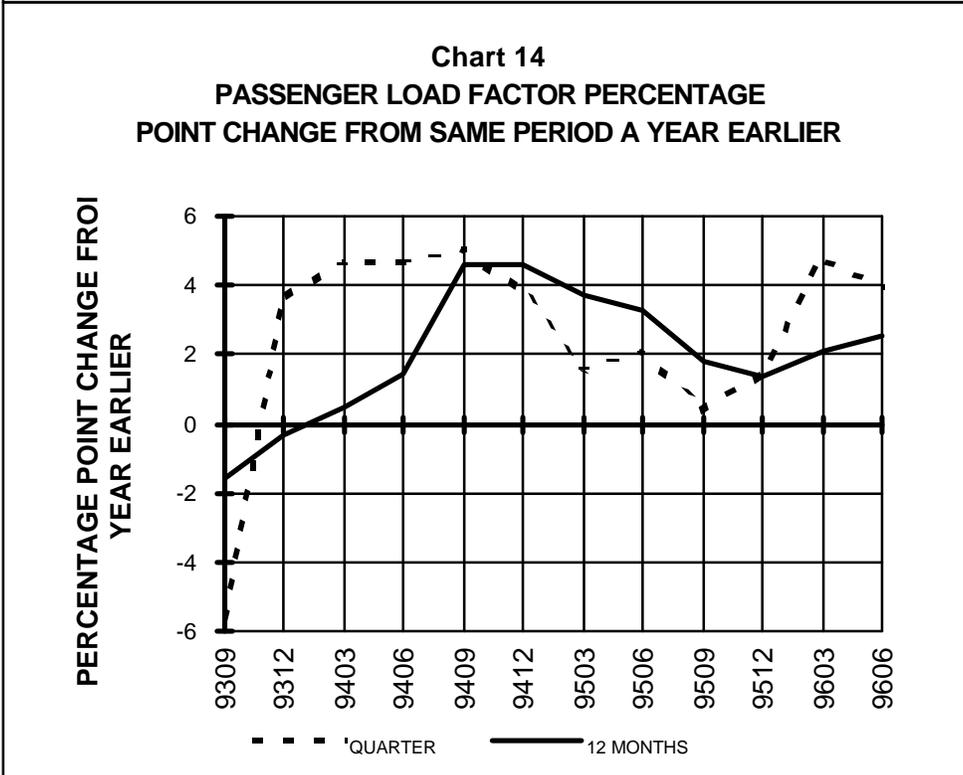
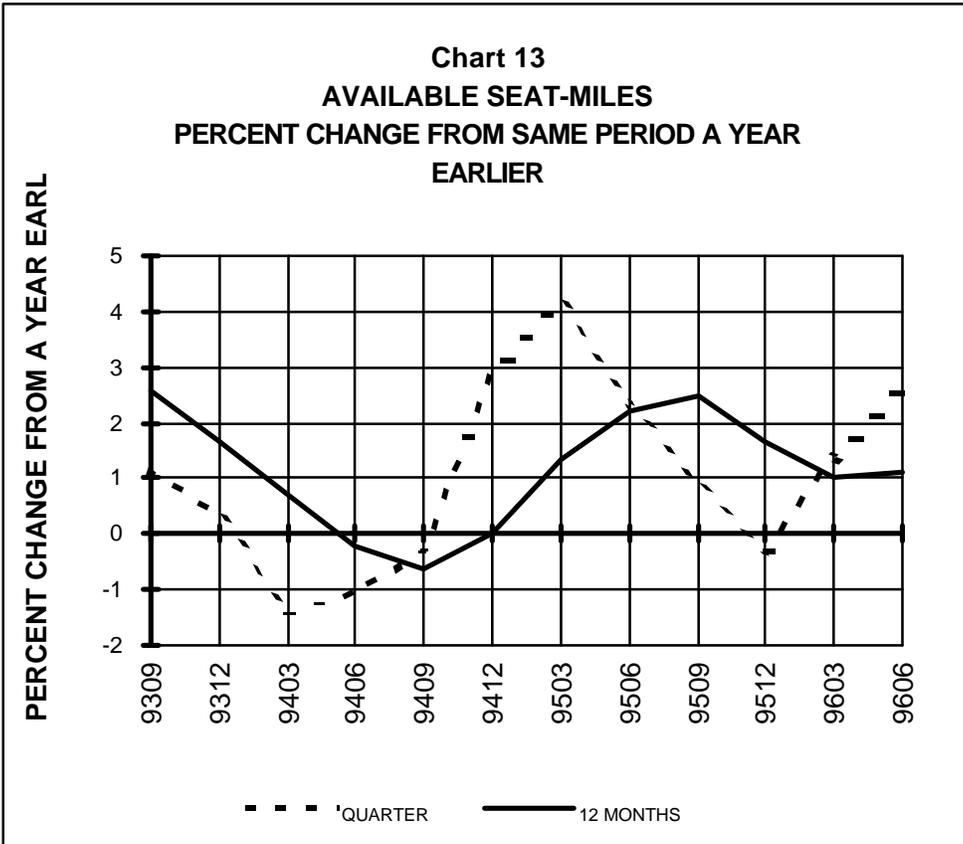
ITEMS	QUARTER ENDED		12 MONTHS ENDED					
	9606	9506	9606	9603	9512	9509	9506	
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	4,850.8	4,682.0	19,053.0	18,884.2	18,602.8	18,512.1	18,263.6
2	Operating Expenses	4,603.8	4,345.2	18,355.4	18,096.9	17,504.7	17,347.6	17,283.9
3	Operating Profit (Loss)	247.0	336.7	697.6	787.3	1,098.1	1,164.5	979.6
4	Net Income (Loss)	144.1	162.6	274.1	292.6	457.1	465.1	332.5
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	37.79	35.62	146.63	144.46	142.04	140.43	139.06
6	ASMs - Scheduled Rev. Svc.	50.53	49.51	200.65	199.62	197.72	196.75	195.56
7	Overall RTMs (All Svc.)	5.13	4.89	19.93	19.70	19.47	19.42	19.34
8	Overall ATMs (All Svc.)	8.56	8.29	33.79	33.52	33.16	32.93	32.66
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	94.6	95.7	95.6	95.9	95.6	95.3	94.4
10	Operating Expense per RTM	89.8	88.8	92.1	91.9	89.9	89.3	89.4
11	Operating Profit (Loss) per RTM	4.8	6.9	3.5	4.0	5.6	6.0	5.1
12	Operating Expense per ATM	53.8	52.4	54.3	54.0	52.8	52.7	52.9
13	Passenger Revenue per RPM	10.82	11.14	11.01	11.09	11.09	11.17	11.15
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Invest	*	*	**	**	**	**	**
15	Times Interest Earned	*	*	**	**	**	**	**
16	Current Assets to Current Liabilities	*	*	**	**	**	**	**
17	No. of Days Cash Coverage of Cash	*	*	**	**	**	**	**
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating	5.1	7.2	3.7	4.2	5.9	6.3	5.4
19	Net Income to Stockholders Equity	*	*	**	**	**	**	**
20	Corporate Return on Investment	*	*	7.2	7.7	9.9	10.3	9.1
21	Debt to Total Investment	*	*	**	**	**	**	**
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	74.8	72.0	73.1	72.4	71.8	71.4	71.1
23	Breakeven	72.3	67.2	71.8	70.5	68.4	67.7	68.3
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg C	*	*	**	**	**	**	**
25	Overall RTM's per Employee (000)	*	*	**	**	**	**	**

CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER								
26	Operating Revenues (%)	3.6	3.2	4.3	4.2	2.6	2.9	1.5
27	Operating Expenses (%)	6.0	-3.5	6.2	3.7	-0.6	-2.2	-3.8
28	Operating Profit (Loss) (in Millions \$)	-89.7	303.5	-282.0	111.2	571.7	902.5	950.3
29	Net Income (Loss)(in Millions \$)	-18.5	210.7	-58.4	170.9	456.2	274.5	237.5
30	RPMs (Sch. Svc.) (%)	6.1	3.9	5.4	4.9	3.7	3.5	3.7
31	ASMs (Sch. Svc.) (%)	2.1	2.1	2.6	2.6	2.0	1.5	0.4
32	Operating Revenues per RTM (%)	-1.2	-0.4	1.3	1.4	-0.1	-1.2	-3.9
33	Operating Expense per RTM (%)	1.1	-6.9	3.0	0.9	-3.2	-6.0	-8.8
34	Passenger Revenue per RPM (Sch.	-2.9	1.0	-1.3	-0.4	-0.8	0.2	-1.1

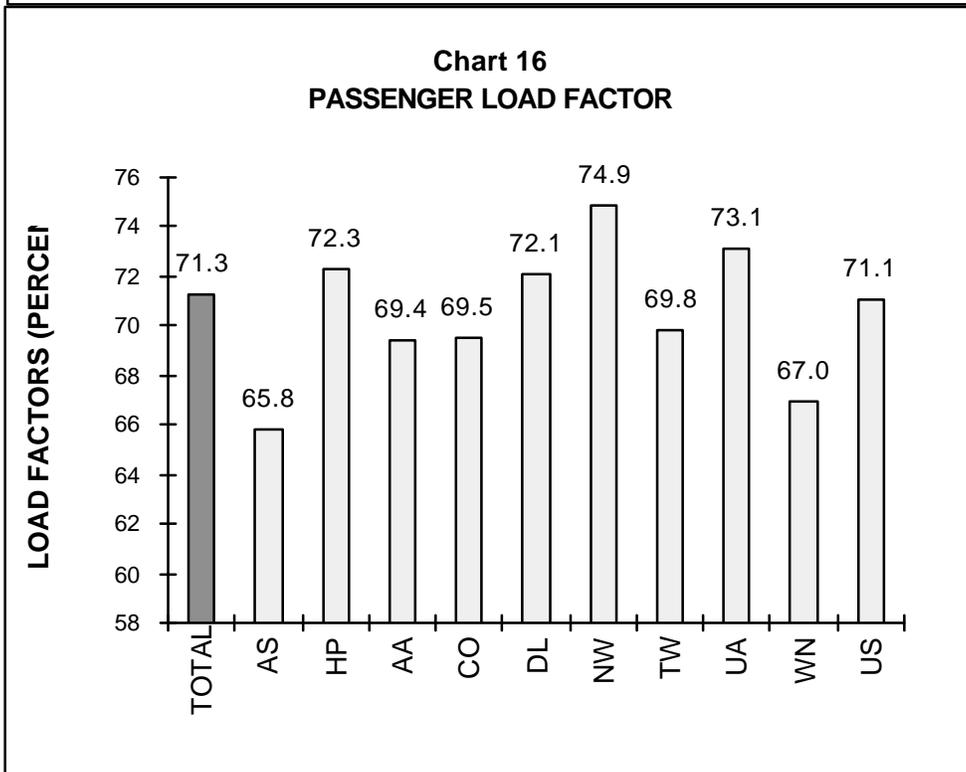
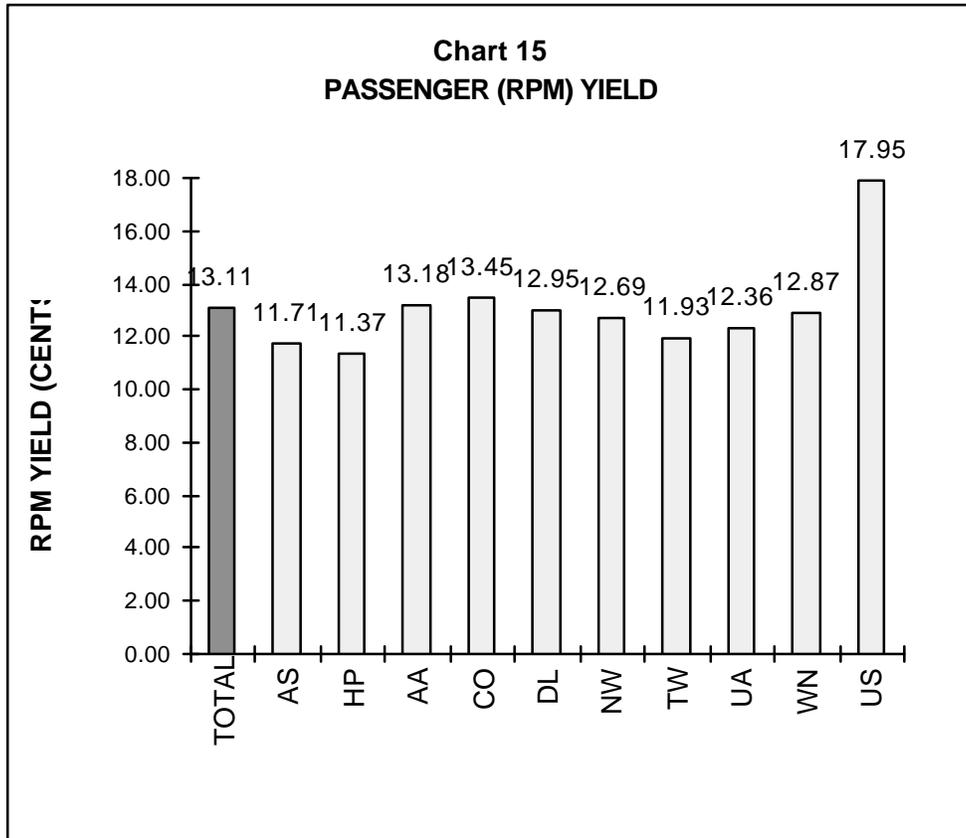
TOTAL PASSENGER MAJORS (SYSTEM) QUARTERLY AND 12-MONTH BASIS (SCH. SVC.)



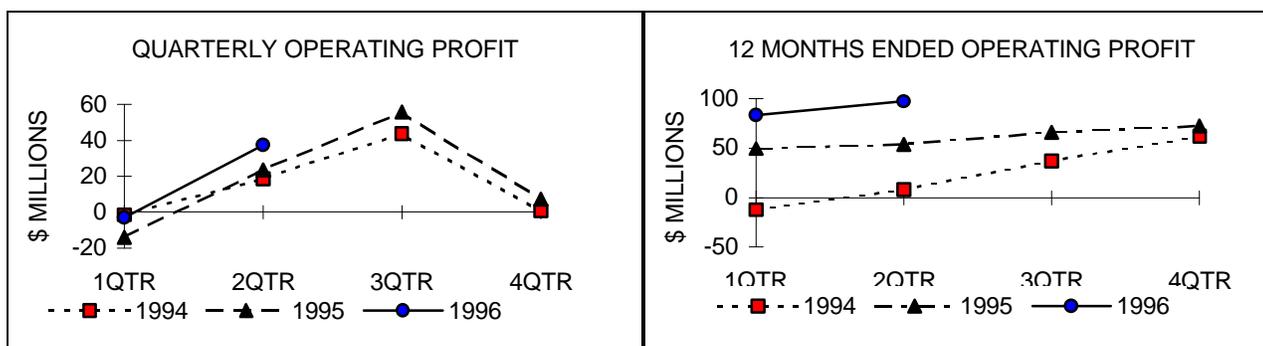
TOTAL PASSENGER MAJORS (SYSTEM) QUARTERLY AND 12-MONTH BASIS (SCH. SVC.)



TOTAL PASSENGER MAJORS (SYSTEM) SECOND QUARTER 1996 (SCH. SVC.)



**QUARTERLY FINANCIAL & TRAFFIC REVIEW
SYSTEM OPERATIONS
ALASKA AIRLINES 1/**



QUARTERLY RESULTS

- o Operating revenues rose 14.5 percent, outpacing operating expenses, which increased a slower 10.7 percent.
- o Operating profit jumped \$13.9 million, the fifth consecutive quarter of improvement, to \$37.4 million, the best quarterly profit ever for the carrier.
- o Net income more than doubled over a year ago, gaining \$10.4 million to \$19 million.
- o The domestic entity provided all of Alaska's overall systemwide operating and net improvements. Both the domestic and Latin divisions, however, produced an operating and net profit for the quarter.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1995	1996	\$ Change	1995	1996	\$ Change	1995	1996	Change %	1995	1996	Change %	
Domestic	19.7	35.2	15.5	6.7	17.9	11.2	2.0	2.3	16.2	3.3	3.5	7.7	65.2%
Int'l	3.8	2.2	-1.6	1.9	1.1	-0.8	0.2	0.2	25.6	0.2	0.3	27.4	73.7%
Atlantic	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Latin	3.8	2.2	-1.6	1.9	1.1	-0.8	0.2	0.2	25.6	0.2	0.3	27.4	73.7%
Pacific	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
System	23.5	37.4	13.9	8.6	19.0	10.4	2.1	2.5	16.9	3.5	3.8	8.9	65.8%

- o RPMs jumped a major group high 16.9 percent, while ASMs rose only 8.9 percent, boosting the passenger load factor 4.5 percentage points to 65.8 percent. Even with this increase, Alaska still reported the lowest load factor among the majors for the second quarter.
- o Profitability was enhanced despite a 0.8 percent decline in RTM yield as RTM unit costs were cut 4 percent.
- o Interest expense, down \$2.6 million to \$7.5 million, was the lowest among all passenger majors.
- o Passenger (RPM) yield climbed 1.9 percent to 11.71 cents.

12-MONTH RESULTS

- o Operating revenues, up 12.6 percent, continued to grow faster than operating expenses, up 9.2 percent, boosting operating profit to the second consecutive 12-month ended all-time high for the carrier, rising \$43.1 million to \$97.3 million.
- o Net income more than tripled over a year ago, jumping \$29 million to \$42.9 million.
- o RPM growth slowed over recent periods, up 13.7 percent, but the ASM growth rate continued to decline, up 9.3 percent, causing the passenger load factor to increase of 2.5 percentage points to 62.8 percent.
- o RTM yield was unchanged from a year ago, but profitability was enhanced as RTM unit costs declined 3.1 percent.
- o Passenger (RPM) yield rose 1.2 percent to 11.35 cents, the first year-to-year increase since the 12 months ended September 1993, and only the second year-to-year increase since the 12 months ended September 1991.
- o Interest expense was reduced \$3.3 million to a group low \$35.5 million.
- o The decline in interest expense occurred, in part, due to the \$117.8 million cut in total debt. This, coupled with rising stockholders equity, caused the debt-to-investment ratio to drop 11.4 percentage points to 49.1 percent.

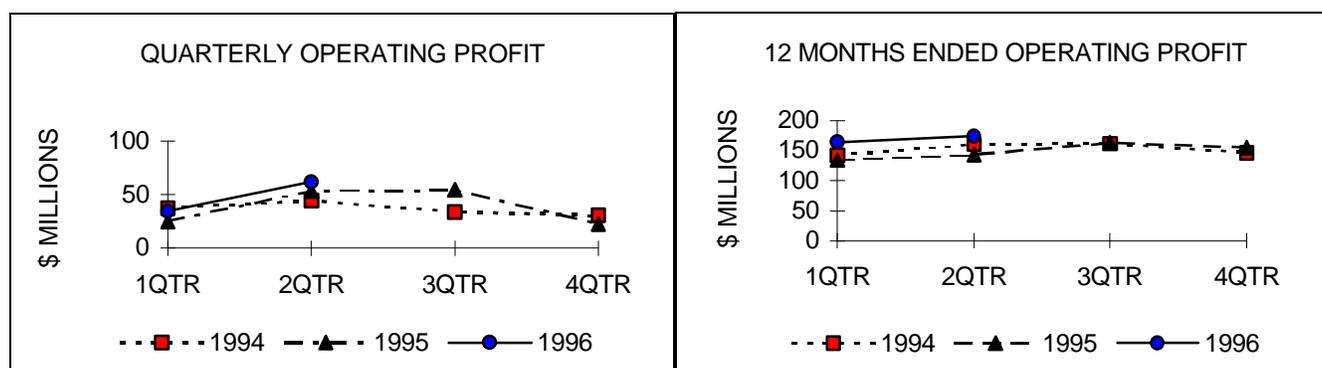
1/ Alaska Airlines became a major air carrier effective on January 1, 1996.

**QUARTERLY FINANCIAL & TRAFFIC REVIEW
SYSTEM OPERATIONS
ALASKA AIRLINES**

ITEMS	QUARTER ENDED		12 MONTHS ENDED					
	9606	9506	9606	9603	9512	9509	9506	
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	342.0	298.6	1,252.3	1,208.9	1,162.9	1,140.7	1,112.1
2	Operating Expenses	304.6	275.0	1,155.0	1,125.5	1,090.5	1,074.7	1,057.9
3	Operating Profit (Loss)	37.4	23.5	97.3	83.4	72.4	66.0	54.2
4	Net Income (Loss)	19.0	8.6	42.9	32.5	24.8	20.1	13.9
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	2.50	2.14	9.24	8.88	8.54	8.37	8.12
6	ASMs - Scheduled Rev. Svc.	3.79	3.48	14.44	14.13	13.82	13.66	13.22
7	Overall RTMs (All Svc.)	0.27	0.23	1.00	0.97	0.93	0.92	0.89
8	Overall ATMs (All Svc.)	0.50	0.46	1.91	1.87	1.83	1.80	1.75
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	126.1	127.1	124.7	124.9	124.5	124.5	124.7
10	Operating Expense per RTM	112.3	117.0	115.0	116.3	116.8	117.3	118.7
11	Operating Profit (Loss) per RTM	13.8	10.0	9.7	8.6	7.8	7.2	6.1
12	Operating Expense per ATM	60.8	59.8	60.5	60.2	59.7	59.5	60.4
13	Passenger Revenue per RPM	11.71	11.49	11.35	11.29	11.22	11.19	11.22
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investm	*	*	1.84	1.74	1.63	1.59	1.58
15	Times Interest Earned	*	*	3.06	2.46	2.08	1.86	1.61
16	Current Assets to Current Liabilities	*	*	0.83	0.89	0.81	0.83	0.77
17	No. of Days Cash Coverage of Cash	*	*	34.8	47.1	47.7	51.4	83.8
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating	10.9	7.9	7.8	6.9	6.2	5.8	4.9
19	Net Income to Stockholders Equity	*	*	14.0	10.9	8.5	7.0	5.0
20	Corporate Return on Investment	*	*	11.7	10.3	9.2	8.5	7.6
21	Debt to Total Investment	*	*	49.1	52.6	53.4	57.6	60.5
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	65.8	61.3	64.0	62.8	61.9	61.3	61.5
23	Breakeven	60.6	59.4	61.8	61.5	61.2	61.0	61.7
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg C	6,868	6,244	6,589	6,433	6,301	6,203	6,129
25	Overall RTM's per Employee (000)	39.5	37.6	152.4	150.4	148.2	147.7	145.5

CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER								
26	Operating Revenues (%)	14.5	9.4	12.6	11.3	7.7	8.7	11.6
27	Operating Expenses (%)	10.7	8.2	9.2	8.5	7.2	6.2	7.0
28	Operating Profit (Loss) (in Millions \$)	13.9	4.8	43.1	34.1	10.3	28.9	46.4
29	Net Income (Loss)(in Millions \$)	10.4	0.8	29.0	19.3	2.2	13.1	22.4
30	RPMs (Sch. Svc.) (%)	16.9	28.8	13.7	16.1	15.8	21.2	27.6
31	ASMs (Sch. Svc.) (%)	8.9	30.3	9.3	13.9	17.5	24.6	27.9
32	Operating Revenues per RTM (%)	-0.8	-5.4	0.0	-1.2	-3.6	-5.7	-7.2
33	Operating Expense per RTM (%)	-4.0	-6.6	-3.1	-3.6	-4.0	-7.9	-11.0
34	Passenger Revenue per RPM (Sch.	1.9	-16.0	1.2	-3.3	-7.1	-10.8	-13.1

**QUARTERLY FINANCIAL & TRAFFIC REVIEW
SYSTEM OPERATIONS
AMERICA WEST AIRLINES**



QUARTERLY RESULTS

- o America West experienced the best quarterly results in its history, reporting all-time carrier highs in both operating and net results.
- o Operating results jumped \$9.1 million to a profit of \$62.1 million, despite a large 15.9 percent jump in operating expenses as operating revenues grew slightly faster, up 16.1 percent.
- o The surge in operating expenses occurred in part due to rapidly rising fuel expenses, up 23.8 percent.
- o Net income gained \$7.5 million to \$28.4 million.
- o Domestic operations provided all of the systemwide operating and net profits and improvements. The Latin division sustained its largest operating and net losses since the carrier began international operations in the third quarter 1992.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1995	1996	\$ Change	1995	1996	\$ Change	1995	1996	Change %	1995	1996	Change %	
Domestic	52.8	66.2	13.3	20.9	32.8	12.0	3.5	3.7	8.3	4.8	5.1	7.4	72.9%
Int'l	0.1	-4.1	-4.2	0.0	-4.4	-4.4	0.0	0.1	202.7	0.0	0.2	251.5	53.2%
Atlantic	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Latin	0.1	-4.1	-4.2	0.0	-4.4	-4.4	0.0	0.1	202.7	0.0	0.2	251.5	53.2%
Pacific	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
System	53.0	62.1	9.1	20.9	28.4	7.5	3.5	3.8	9.9	4.8	5.3	9.8	72.3%

- o Interest expense decreased \$3.5 million to \$12.6 million, the second lowest among the passenger majors after Alaska. (Note: UPS, an all-cargo carrier, had virtually \$0 in interest expense.)
- o The passenger load factor was unchanged over a year ago at 72.3 percent, but a slight decline in the breakeven load factor widened the difference to 9.9 percentage points.
- o The profit improvement occurred despite a major group high increase in RTM unit costs, up 5.9 percent, as RTM yield grew 6 percent.
- o Passenger (RPM) yield advanced 6.5 percent to 11.37 cents, still a major group low.

12-MONTH RESULTS

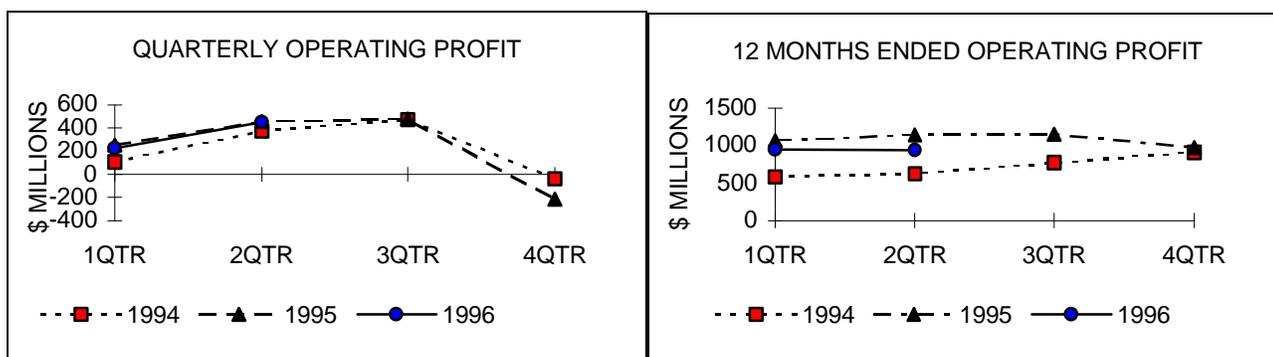
- o Both operating profit and net income for the carrier reached a new all-time high.
- o Operating revenue growth, up 16.6 percent, outpaced operating expense growth, up 16.1 percent, causing operating profit to jump \$31 million to \$173.3 million.
- o Net income improved \$16.8 million to \$69.8 million.
- o RPMs advanced 13.2 percent as ASMs rose 7.8 percent, producing a 3.4 percentage point gain in the passenger load factor to 70.5 percent, 6.9 points above operating breakeven.
- o Debt-to-investment dropped 8 percentage points to 36.6 percent, due to an increase in equity and a \$119.4 million cut in total debt to \$382.1 million (only Alaska had lower debt).
- o Passenger (RPM) yield rose 3.2 percent, but was still a group low at 11.09 cents.

**QUARTERLY FINANCIAL & TRAFFIC REVIEW
SYSTEM OPERATIONS
AMERICA WEST AIRLINES**

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9606	9506	9606	9603	9512	9509	9506
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	466.7	402.1	1,694.5	1,629.9	1,561.8	1,506.1	1,453.1
2	Operating Expenses	404.6	349.1	1,521.2	1,465.7	1,407.1	1,343.6	1,310.8
3	Operating Profit (Loss)	62.1	53.0	173.3	164.2	154.7	162.5	142.3
4	Net Income (Loss)	28.4	20.9	69.8	62.3	53.8	54.4	53.0
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	3.84	3.49	14.17	13.82	13.27	12.87	12.51
6	ASMs - Scheduled Rev. Svc.	5.31	4.83	20.10	19.62	19.30	19.00	18.65
7	Overall RTMs (All Svc.)	0.41	0.37	1.52	1.48	1.43	1.39	1.36
8	Overall ATMs (All Svc.)	0.67	0.60	2.53	2.46	2.42	2.38	2.33
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	113.9	107.5	111.5	109.8	109.2	108.2	107.1
10	Operating Expense per RTM	98.8	93.3	100.1	98.8	98.4	96.6	96.6
11	Operating Profit (Loss) per RTM	15.2	14.2	11.4	11.1	10.8	11.7	10.5
12	Operating Expense per ATM	60.3	57.8	60.1	59.5	58.2	56.5	56.3
13	Passenger Revenue per RPM	11.37	10.68	11.09	10.91	10.87	10.82	10.75
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Invest	*	*	1.56	1.48	1.41	1.35	1.44
15	Times Interest Earned	*	*	3.61	3.23	2.85	2.81	-1.68
16	Current Assets to Current Liabilities	*	*	0.78	0.84	0.84	0.84	0.90
17	No. of Days Cash Coverage of Cash	*	*	51.2	62.3	61.8	72.2	82.9
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating	13.3	13.2	10.2	10.1	9.9	10.8	9.8
19	Net Income to Stockholders Equity	*	*	10.8	9.8	8.6	8.9	12.0
20	Corporate Return on Investment	*	*	11.2	10.7	10.2	10.4	11.4
21	Debt to Total Investment	*	*	36.6	38.6	39.7	40.7	44.6
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	72.3	72.3	70.5	70.4	68.8	67.7	67.1
23	Breakeven	62.4	62.8	63.6	63.7	62.3	60.6	60.9
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg C	8,187	8,045	8,078	8,043	8,133	8,217	8,246
25	Overall RTM's per Employee (000)	50.0	46.5	188.1	184.5	175.9	169.3	164.5

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	16.1	10.3	16.6	15.1	10.4	6.0	3.9
27	Operating Expenses (%)	15.9	8.9	16.1	14.3	11.0	6.7	5.9
28	Operating Profit (Loss) (in Millions \$)	9.1	8.9	31.0	30.7	8.3	0.9	-18.3
29	Net Income (Loss)(in Millions \$)	7.5	0.8	16.8	10.0	-8.4	-11.6	-7.1
30	RPMs (Sch. Svc.) (%)	9.9	8.6	13.2	12.9	8.8	5.3	4.3
31	ASMs (Sch. Svc.) (%)	9.8	8.0	7.8	7.3	7.4	7.1	7.0
32	Operating Revenues per RTM (%)	6.0	2.2	4.1	3.1	2.2	0.7	-0.8
33	Operating Expense per RTM (%)	5.9	0.9	3.6	2.5	2.7	1.4	1.2
34	Passenger Revenue per RPM (Sch.	6.5	1.4	3.2	1.9	1.0	0.1	-0.7

**QUARTERLY FINANCIAL & TRAFFIC REVIEW
SYSTEM OPERATIONS
AMERICAN AIRLINES**



QUARTERLY RESULTS

- o American reported the largest quarterly net profit in its history, and recorded its second largest operating profit, slightly lower than the operating profit achieved during the second quarter a year ago.
- o American reported the largest operating profit and second largest net income (after Northwest) among all majors.
- o Operating expenses, down 2.4 percent, continued to decline although surging unit fuel prices, up 13 percent, pushed total fuel expense up 12.6 percent.
- o Operating profit was the highest among the majors, despite the \$8.4 million decline to \$447.4 million.
- o Net income gained \$21.5 million to \$212.7 million
- o All entities reported an operating and net profit for the quarter, but only domestic and Atlantic operations experienced improvements over the previous year in operating and/or net results.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1995	1996	\$ Change	1995	1996	\$ Change	1995	1996	Change %	1995	1996	Change %	
Domestic	309.5	324.5	15.0	114.3	145.9	31.6	18.2	18.8	3.2	27.2	27.1	-0.3	69.3%
Int'l	146.3	122.9	-23.4	76.9	66.8	-10.1	7.8	7.9	1.0	11.5	11.3	-2.1	69.7%
Atlantic	64.8	72.3	7.6	36.8	43.4	6.5	3.9	3.8	-3.0	5.2	4.9	-6.6	78.8%
Latin	58.1	36.0	-22.0	25.3	14.3	-11.0	3.3	3.5	5.6	5.6	5.8	2.5	61.0%
Pacific	23.5	14.5	-8.9	14.8	9.1	-5.7	0.5	0.5	1.0	0.7	0.6	-6.7	78.1%
System	455.8	447.4	-8.4	191.2	212.7	21.5	26.0	26.6	2.5	38.7	38.4	-0.8	69.4%

- o RPMs rose 2.5 percent while ASMs declined 0.8 percent, boosting the passenger load factor 2.3 percentage points to 69.4 percent, 7 points above the carrier's operating breakeven load factor.
- o Passenger (RPM) yield climbed 0.8 percent to 13.18 cents.
- o Interest expense fell \$40 million, but was still a major group high \$107.1 million.

12-MONTH RESULTS

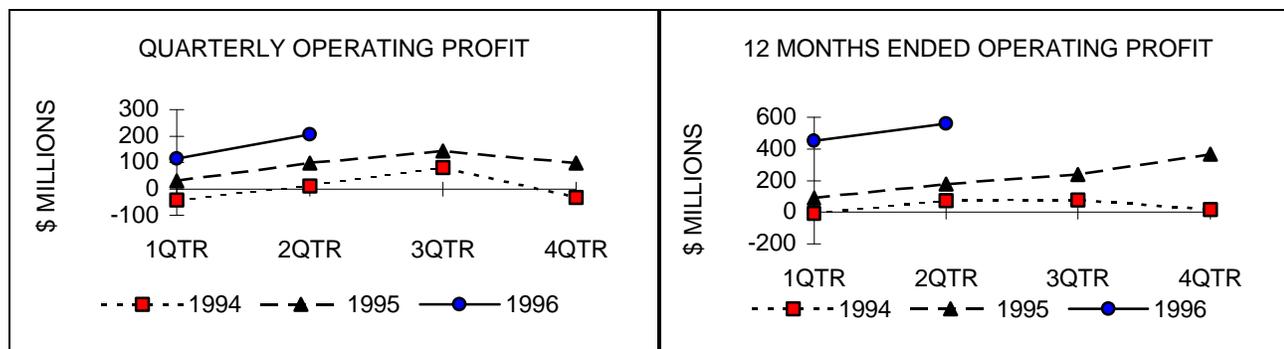
- o American reported the largest deterioration among the majors in operating results, and experienced the second largest deterioration (behind Delta) in net results.
- o Operating expense growth, up 3.2 percent, more than doubled operating revenue growth, up 1.6 percent, causing operating profit to drop \$209.1 million to \$932.7 million.
- o Net income fell \$105.5 million to \$241.3 million.
- o Although RPM traffic growth, up 2.4 percent, continues to slow over recent 12-month ended periods, ASM capacity rose only 0.8 percent producing a 1.1 percentage point increase in the passenger load factor to 67.2 percent.
- o Passenger (RPM) yield rose 1.6 percent to 13.05 cents.
- o Profitability was eroded as RTM yield slipped 0.1 percent, while RTM unit costs rose 1.5 percent.
- o American continues to be burdened by the highest total debt burden among the majors, despite a \$1.63 billion reduction to \$4.38 billion. This decline, coupled with rising equity, caused the debt-to-investment ratio to drop 11.5 percentage points to 51.8 percent, a four-year low for the carrier.

**QUARTERLY FINANCIAL & TRAFFIC REVIEW
SYSTEM OPERATIONS
AMERICAN AIRLINES**

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9606	9506	9606	9603	9512	9509	9506
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	3,884.7	3,976.1	15,466.8	15,558.3	15,610.2	15,428.4	15,223.1
2	Operating Expenses	3,437.2	3,520.3	14,534.1	14,617.2	14,642.4	14,278.4	14,081.1
3	Operating Profit (Loss)	447.4	455.8	932.7	941.1	967.8	1,150.0	1,142.1
4	Net Income (Loss)	212.7	191.2	241.3	219.8	207.8	339.5	346.8
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	26.61	25.96	104.12	103.46	102.67	102.49	101.71
6	ASMs - Scheduled Rev. Svc.	38.35	38.67	154.86	155.17	155.02	154.49	153.88
7	Overall RTMs (All Svc.)	3.19	3.13	12.49	12.43	12.35	12.35	12.28
8	Overall ATMs (All Svc.)	5.93	5.97	23.90	23.95	23.88	23.76	23.63
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	121.9	126.8	123.9	125.1	126.4	125.0	124.0
10	Operating Expense per RTM	107.9	112.3	116.4	117.6	118.6	115.7	114.7
11	Operating Profit (Loss) per RTM	14.0	14.5	7.5	7.6	7.8	9.3	9.3
12	Operating Expense per ATM	58.0	59.0	60.8	61.0	61.3	60.1	59.6
13	Passenger Revenue per RPM	13.18	13.08	13.05	13.02	12.98	12.88	12.84
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Invest	*	*	1.75	1.70	1.65	1.58	1.52
15	Times Interest Earned	*	*	1.94	1.80	1.72	2.02	2.06
16	Current Assets to Current Liabilities	*	*	0.60	0.68	0.57	0.62	0.60
17	No. of Days Cash Coverage of Cash	*	*	22.9	22.2	24.0	32.4	23.9
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating	11.5	11.5	6.0	6.0	6.2	7.5	7.5
19	Net Income to Stockholders Equity	*	*	6.5	6.1	6.0	9.8	10.3
20	Corporate Return on Investment	*	*	8.1	8.0	7.9	9.3	8.9
21	Debt to Total Investment	*	*	51.8	55.4	58.4	59.0	63.3
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	69.4	67.1	67.2	66.7	66.2	66.3	66.1
23	Breakeven	62.4	64.9	67.5	68.2	68.6	67.4	67.0
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg C	78,691	78,044	78,951	78,790	78,415	78,200	78,291
25	Overall RTM's per Employee (000)	40.5	40.2	158.1	157.8	157.4	157.9	156.8

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	-2.3	4.1	1.6	3.3	4.4	5.8	4.2
27	Operating Expenses (%)	-2.4	2.1	3.2	4.4	4.3	3.4	0.7
28	Operating Profit (Loss) (in Millions \$)	-8.4	83.1	-209.4	-117.6	56.2	378.0	515.0
29	Net Income (Loss)(in Millions \$)	21.5	18.8	-105.5	-108.2	-60.7	117.4	214.6
30	RPMs (Sch. Svc.) (%)	2.5	6.3	2.4	3.3	4.0	6.5	6.2
31	ASMs (Sch. Svc.) (%)	-0.8	2.0	0.6	1.3	1.7	1.0	-0.8
32	Operating Revenues per RTM (%)	-3.9	-2.2	-0.1	0.3	0.6	-0.6	-2.2
33	Operating Expense per RTM (%)	-3.9	-4.1	1.5	1.5	0.5	-2.8	-5.5
34	Passenger Revenue per RPM (Sch.	0.8	-2.2	1.6	0.9	0.0	-0.8	-2.2

**QUARTERLY FINANCIAL & TRAFFIC REVIEW
SYSTEM OPERATIONS
CONTINENTAL AIR LINES 1/**



QUARTERLY RESULTS

- o Beginning in 1993, all of Continental's Pacific operations are reported by Air Micronesia which reports its results separately. To be consistent for internal and analytical purposes, all of Continental's financial and traffic results for all quarterly and 12-month ended periods have been retroactively adjusted to include the operations of Air Micronesia.
- o Continental recorded record operating and net profits for the fifth consecutive quarter.
- o Operating expenses increased 3.8 percent, but operating revenues jumped 11.1 percent, producing a \$109.6 million gain in operating profit to \$206.1 million.
- o Continental experienced the smallest increase among all majors in total fuel expense, up 6.3 percent, despite a 19.2 percent jump in unit fuel prices as consumption dropped 10.9 percent.
- o Net income rose \$58.3 million to \$176 million.
- o The Latin division reported the only operating and/or net loss for the quarter, but the Pacific division showed the only deterioration in operating and/or net results.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1995	1996	\$ Change	1995	1996	\$ Change	1995	1996	Change %	1995	1996	Change %	
Domestic	55.6	159.9	104.3	86.5	138.5	52.0	7.7	7.8	0.5	11.4	11.1	-2.1	69.8%
Int'l	40.9	46.3	5.3	31.2	37.5	6.3	2.5	2.8	9.0	3.8	4.0	5.4	68.6%
Atlantic	20.7	32.3	11.6	22.4	32.7	10.3	1.0	1.0	8.3	1.2	1.3	8.4	80.1%
Latin	-5.4	-3.5	2.0	-6.9	-3.8	3.1	0.5	0.7	25.9	0.9	1.1	25.1	60.2%
Pacific 1/	25.6	17.4	-8.2	15.7	8.6	-7.1	1.1	1.1	1.4	1.8	1.7	-6.2	65.2%
System	96.5	206.1	109.6	117.7	176.0	58.3	10.3	10.5	2.6	15.2	15.2	-0.2	69.5%

- o Passenger (RPM) yield advanced 8.2 percent to 13.45 cents.
- o RTM yield rose 7.9 percent, much faster than the 0.7 percent increase in RTM unit costs, generating the profit growth.
- o The passenger load factor rose 1.9 percentage points to 69.5 percent as RPMs rose 2.6 percent and ASMs dipped 0.2 percent.

12-MONTH RESULTS

- o Operating profit jumped \$383.5 million to \$561 million, a new carrier high, as operating revenues rose 7.3 percent and operating expenses dipped 0.5 percent.
- o Continental reported the largest improvement among the majors in net results, which soared upward \$808.2 million to a positive \$460.5 million. Year ago results, however, were adversely impacted by the fourth quarter 1994 write-down of the carrier's investment in CAL Lite operations.
- o RPMs slid 3.3 percent below a year ago, but a larger 9.3 percent decline in ASMs boosted the passenger load factor a group high 4.2 percentage points to 68 percent.
- o Passenger (RPM) yield rose a group high 11 percent to 13.01 cents.
- o Productivity (RTMs per employee) rose to 183.2 from 154.7 a year earlier.
- o The debt-to-investment ratio dropped 12.2 percentage points to 65.5 percent, as equity rose and total debt dropped \$200.5 million.

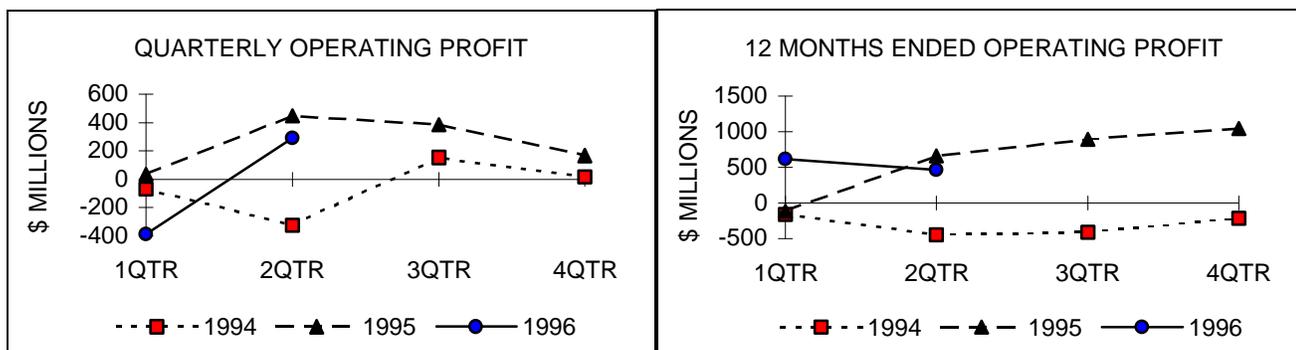
1/ All Continental financial and traffic results include the Pacific operations of Air Micronesia, Inc.

**QUARTERLY FINANCIAL & TRAFFIC REVIEW
SYSTEM OPERATIONS
CONTINENTAL AIR LINES**

ITEMS	QUARTER ENDED		12 MONTHS ENDED					
	9606	9506	9606	9603	9512	9509	9506	
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	1,606.6	1,446.1	5,990.2	5,829.7	5,704.6	5,639.2	5,580.5
2	Operating Expenses	1,400.4	1,349.6	5,429.2	5,378.3	5,338.2	5,401.0	5,403.0
3	Operating Profit (Loss)	206.1	96.5	561.0	451.4	366.5	238.2	177.5
4	Net Income (Loss)	176.0	117.7	460.5	402.1	290.9	-268.6	-347.7
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	10.53	10.26	40.50	40.23	40.04	41.03	41.88
6	ASMs - Scheduled Rev. Svc.	15.16	15.19	59.57	59.60	61.04	63.75	65.69
7	Overall RTMs (All Svc.)	1.21	1.17	4.66	4.63	4.61	4.75	4.88
8	Overall ATMs (All Svc.)	1.92	1.90	7.53	7.51	7.67	8.03	8.29
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	132.6	123.1	128.5	126.0	123.7	118.6	114.4
10	Operating Expense per RTM	115.6	114.9	116.4	116.3	115.7	113.6	110.8
11	Operating Profit (Loss) per RTM	17.0	8.2	12.0	9.8	7.9	5.0	3.6
12	Operating Expense per ATM	73.1	71.0	72.1	71.6	69.6	67.3	65.2
13	Passenger Revenue per RPM	13.45	12.43	13.01	12.74	12.52	12.07	11.72
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Invest	*	*	2.51	2.43	2.35	2.25	2.18
15	Times Interest Earned	*	*	3.69	3.04	2.43	-0.29	-0.65
16	Current Assets to Current Liabilities	*	*	0.77	0.70	0.73	0.67	0.40
17	No. of Days Cash Coverage of Cash	*	*	57.9	46.9	53.1	42.5	34.3
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating	12.8	6.7	9.4	7.7	6.4	4.2	3.2
19	Net Income to Stockholders Equity	*	*	71.4	72.3	58.8	-48.5	-57.1
20	Corporate Return on Investment	*	*	27.0	25.0	20.4	-2.5	-5.4
21	Debt to Total Investment	*	*	65.5	69.4	75.0	77.2	77.7
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	69.5	67.6	68.0	67.5	65.6	64.4	63.8
23	Breakeven	60.3	64.0	61.9	62.8	62.0	62.6	62.9
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg C	25,153	27,512	25,614	26,203	27,837	29,629	31,541
25	Overall RTM's per Employee (000)	48.2	42.7	182.1	176.5	165.7	160.4	154.7

CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER								
26	Operating Revenues (%)	11.1	7.5	7.3	6.4	4.2	6.5	7.5
27	Operating Expenses (%)	3.8	1.1	0.5	-0.2	-2.2	3.5	5.6
28	Operating Profit (Loss) (in Millions \$)	109.6	86.7	383.5	360.6	349.3	160.6	102.9
29	Net Income (Loss)(in Millions \$)	58.3	164.5	808.2	914.3	855.2	-186.7	-224.0
30	RPMs (Sch. Svc.) (%)	2.6	0.2	-3.3	-3.9	-3.8	0.3	3.1
31	ASMs (Sch. Svc.) (%)	-0.2	-5.7	-9.3	-10.5	-7.4	-0.8	2.5
32	Operating Revenues per RTM (%)	7.7	9.9	12.3	12.8	10.2	7.1	4.1
33	Operating Expense per RTM (%)	0.6	3.3	5.1	5.8	3.5	4.2	2.2
34	Passenger Revenue per RPM (Sch.	8.2	8.7	11.0	11.1	9.2	6.5	4.5

**QUARTERLY FINANCIAL & TRAFFIC REVIEW
SYSTEM OPERATIONS
DELTA AIR LINES**



QUARTERLY RESULTS

- o For the second quarter 1996, Delta experienced the largest drop among the majors in operating results, and was the only major to show a deterioration in net results.
- o As operating expense growth, up 10.8 percent, more than doubling the 4.6 percent increase in operating revenues, operating profit tumbled \$157.5 million, but remaining positive at \$291 million.
- o The jump in operating expenses was due, in part, to the 20.7 percent increase in total fuel expense.
- o Net income fell \$89.5 million to a profit of \$161.4 million.
- o All divisions reported year-to-year declines in both operating and net results. Despite the declines, domestic and Latin operations remained profitable during the quarter.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1995	1996	\$ Change	1995	1996	\$ Change	1995	1996	Change %	1995	1996	Change %	
Domestic	413.0	355.7	-57.3	233.3	204.9	-28.4	15.9	18.6	16.6	25.0	26.3	4.9	70.7%
Int'l	35.4	-64.7	-100.1	17.6	-43.4	-61.0	5.9	5.6	-5.6	7.9	7.2	-9.0	77.5%
Atlantic	42.3	-51.7	-93.9	22.9	-34.7	-57.6	4.7	4.6	-3.9	6.0	5.7	-5.1	79.4%
Latin	4.2	3.3	-1.0	2.4	1.8	-0.6	0.3	0.4	5.6	0.6	0.5	-3.8	66.0%
Pacific	-11.1	-16.3	-5.2	-7.6	-10.5	-2.9	0.9	0.7	-20.0	1.3	0.9	-28.7	72.4%
System	448.4	291.0	-157.4	250.9	161.4	-89.5	21.8	24.1	10.6	33.0	33.5	1.6	72.1%

- o RPM traffic jumped 10.6 percent while ASMs climbed 1.6 percent, causing the passenger load factor to jump a major group high 5.8 percentage points to 72.1 percent.
- o Passenger (RPM) yield slid 5.8 percent to 12.95 cents, the only decline among the majors.
- o Total debt was cut more than \$1 billion to \$2.31 billion. This, combined with rising equity, caused the debt-to-investment ratio to drop 16.9 percentage points to 47.5 percent.

12-MONTH RESULTS

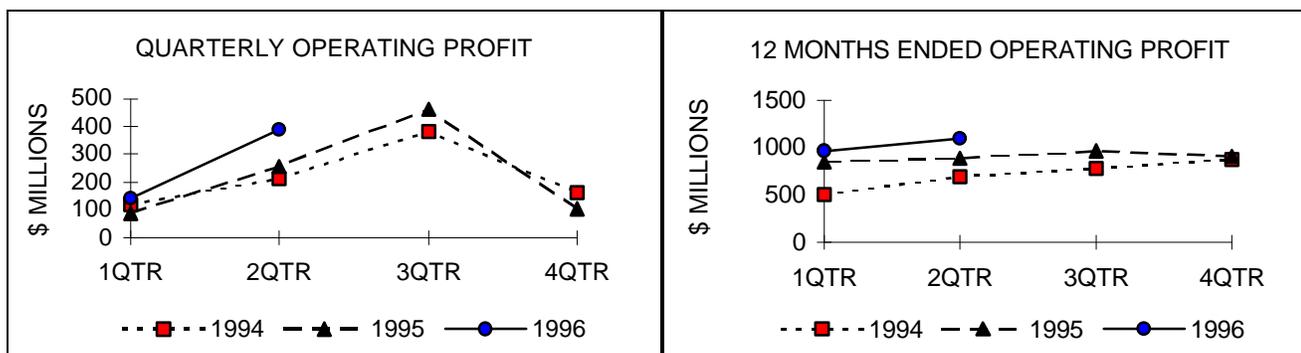
- o Operating and net results were adversely impacted by a \$556 million non-recurring write-down Delta incurred during the first quarter 1996.
- o Operating revenues rose 3.3 percent, but operating expenses jumped 5.2 percent, causing operating profit to drop \$200 million to a profit of \$458.8 million.
- o Net income fell \$251.8 million to \$155.9 million.
- o Interest expense fell \$14.5 million to \$243.6 million.
- o The passenger load factor rose 1.6 percentage points to 67.8 percent, 2 points above operating breakeven.
- o Passenger (RPM) yield was unchanged over a year ago at 13.09 cents.
- o RTM yield growth slowed, but still rose 2.4 percent, while RTM unit costs declined 0.4 percent, producing the profit upswing.

QUARTERLY FINANCIAL & TRAFFIC REVIEW
SYSTEM OPERATIONS
DELTA AIR LINES

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9606	9506	9606	9603	9512	9509	9506
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	3,447.6	3,296.2	12,810.0	12,658.6	12,557.3	12,488.7	12,404.3
2	Operating Expenses	3,156.6	2,847.8	12,351.2	12,042.4	11,518.8	11,600.0	11,745.4
3	Operating Profit (Loss)	291.0	448.4	458.8	616.2	1,038.4	888.7	658.8
4	Net Income (Loss)	161.4	250.9	155.9	245.4	510.0	422.2	407.7
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	24.15	21.84	88.63	86.32	85.11	85.45	86.36
6	ASMs - Scheduled Rev. Svc.	33.48	32.96	130.66	130.15	130.08	130.33	130.53
7	Overall RTMs (All Svc.)	2.76	2.55	10.24	10.02	9.93	10.03	10.14
8	Overall ATMs (All Svc.)	4.64	4.58	18.08	18.03	18.05	18.14	18.18
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	125.0	129.4	125.2	126.3	126.5	124.5	122.3
10	Operating Expense per RTM	114.4	111.8	120.7	120.1	116.0	115.6	115.8
11	Operating Profit (Loss) per RTM	10.5	17.6	4.5	6.1	10.5	8.9	6.5
12	Operating Expense per ATM	68.1	62.2	68.3	66.8	63.8	63.9	64.6
13	Passenger Revenue per RPM	12.95	13.74	13.09	13.29	13.38	13.27	13.09
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Invest	*	*	2.49	2.48	2.48	2.50	2.52
15	Times Interest Earned	*	*	2.12	2.66	4.23	3.68	2.86
16	Current Assets to Current Liabilities	*	*	0.93	0.86	0.85	0.91	0.86
17	No. of Days Cash Coverage of Cash	*	*	52.1	50.7	45.0	53.0	56.9
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating	8.4	13.6	3.6	4.9	8.3	7.1	5.3
19	Net Income to Stockholders Equity	*	*	7.5	12.9	27.2	23.7	24.4
20	Corporate Return on Investment	*	*	7.8	9.8	15.3	13.8	13.7
21	Debt to Total Investment	*	*	47.5	62.8	60.2	61.3	64.4
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	72.1	66.3	67.8	66.3	65.4	65.6	66.2
23	Breakeven	66.0	56.2	65.8	63.2	59.8	60.9	62.9
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg C	53,237	55,632	52,570	53,169	54,320	56,286	59,176
25	Overall RTM's per Employee (000)	51.8	45.8	194.7	188.5	182.8	178.2	171.4

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	4.6	2.5	3.3	2.7	1.7	0.6	-0.5
27	Operating Expenses (%)	10.8	-19.5	5.2	-3.2	-8.3	-9.6	-9.0
28	Operating Profit (Loss) (in Millions \$)	-157.4	770.5	-200.0	727.9	1,253.5	1,302.2	1,104.8
29	Net Income (Loss)(in Millions \$)	-89.5	500.7	-251.8	338.4	669.7	705.1	816.1
30	RPMs (Sch. Svc.) (%)	10.6	-1.3	2.6	-0.4	-1.4	-0.5	1.3
31	ASMs (Sch. Svc.) (%)	1.6	0.5	0.1	-0.2	-0.1	-0.2	-1.0
32	Operating Revenues per RTM (%)	-3.4	3.5	2.4	4.2	3.7	0.5	-2.8
33	Operating Expense per RTM (%)	2.3	-18.7	4.2	-1.8	-6.6	-9.7	-11.1
34	Passenger Revenue per RPM (Sch.	-5.8	4.7	0.0	2.8	2.9	1.1	-1.4

**QUARTERLY FINANCIAL & TRAFFIC REVIEW
SYSTEM OPERATIONS
NORTHWEST AIRLINES**



QUARTERLY RESULTS

- Northwest reported the strongest improvements among the majors in both operating and net results. The carrier also experienced the best operating and net results for any second quarter in its history.
- Operating revenues rose 12.3 percent while operating expenses rose a slower 7.1 percent, producing a gain in operating profit of \$132.7 million to \$388.7 million.
- Net income also improved, rising \$85.9 million to \$217.6 million.
- All entities reported operating and net profits and year-to-year improvements.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1995	1996	\$ Change	1995	1996	\$ Change	1995	1996	Change %	1995	1996	Change %	
Domestic	231.6	323.4	91.8	121.0	181.1	60.1	9.2	9.9	7.5	13.2	14.1	6.4	70.4%
Int'l	24.4	65.3	41.0	10.7	36.5	25.8	6.5	7.6	16.7	8.6	9.4	9.3	81.6%
Atlantic	19.5	38.9	19.4	13.7	23.5	9.8	1.5	1.9	19.7	1.9	2.1	12.4	87.4%
Latin	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Pacific	4.9	26.4	21.5	-3.1	13.0	16.1	5.0	5.8	15.7	6.7	7.2	8.4	79.9%
System	256.0	388.7	132.7	131.7	217.6	85.9	15.8	17.6	11.3	21.8	23.5	7.6	74.9%

- Profitability was enhanced as RTM unit costs dipped 1 percent, while RTM yield rose 3.8 percent.
- Total fuel expense jumped 22.9 percent as total consumption rose 6 percent and unit fuel expenses rose 15.9 percent to 63.33 cents.
- Passenger (RPM) yield gained 2.2 percent to 12.69 cents.
- RPMs advanced 11.3 percent outpacing the 7.6 percent increase in ASMs. As a result, the passenger load factor rose 2.5 percentage points to a major group high 74.9 percent.

12-MONTH RESULTS

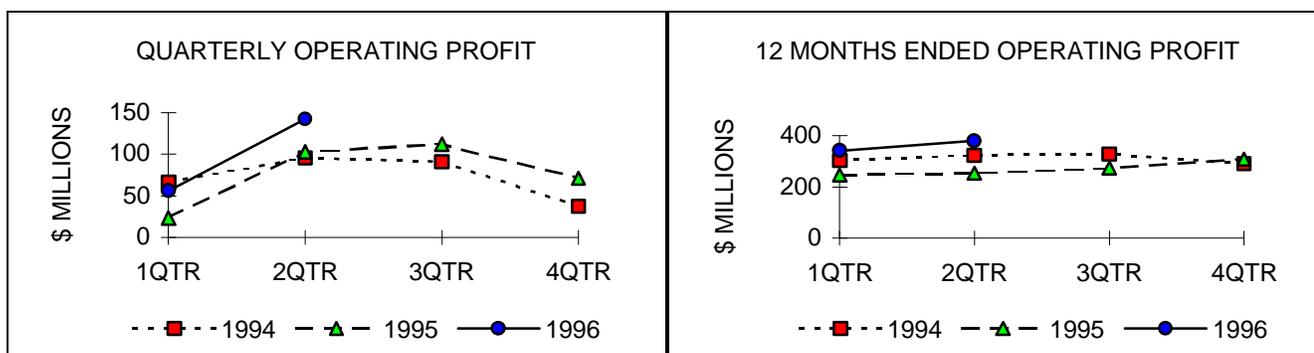
- For the 12 months ended June 1996, Northwest reported the highest operating and net profits among all majors, and also reported its first ever operating profit in excess of \$1 billion.
- Operating profit improved \$207.8 million to \$1.1 billion as operating revenue growth, up 6.3 percent, continues to exceed operating expense growth, up 4.4 percent.
- Net income jumped \$202.1 million to \$630.4 million.
- The passenger load factor rose 2.8 percentage points to 72.6 percent, a major group high.
- Passenger (RPM) yield was down 2.5 percent to 12.55 cents, the only decline among the majors.
- Productivity (RTMs per employee) rose from 199.7 to a group high 203.8.
- Sharp reductions in total debt, down \$858 million to \$2.3 billion, and rapidly rising equity produced a 15.7 percentage point drop in the debt-to-investment ratio 36.7 percent.
- Interest on debt declined \$15.5 million to \$46.6 million.

**QUARTERLY FINANCIAL & TRAFFIC REVIEW
SYSTEM OPERATIONS
NORTHWEST AIRLINES**

ITEMS	QUARTER ENDED		12 MONTHS ENDED					
	9606	9506	9606	9603	9512	9509	9506	
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	2,513.1	2,238.7	9,418.0	9,143.6	8,908.9	8,890.8	8,856.6
2	Operating Expenses	2,124.4	1,982.7	8,321.8	8,180.1	7,998.6	7,922.1	7,968.2
3	Operating Profit (Loss)	388.7	256.0	1,096.2	963.5	910.2	968.7	888.4
4	Net Income (Loss)	217.6	131.7	630.4	544.5	506.3	469.6	428.3
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	17.56	15.78	65.97	64.19	62.50	61.01	59.46
6	ASMs - Scheduled Rev. Svc.	23.46	21.81	90.83	89.18	87.45	86.24	85.23
7	Overall RTMs (All Svc.)	2.31	2.14	8.82	8.65	8.52	8.42	8.32
8	Overall ATMs (All Svc.)	3.75	3.53	14.56	14.34	14.16	14.03	13.93
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	108.7	104.7	106.8	105.8	104.6	105.6	106.5
10	Operating Expense per RTM	91.8	92.7	94.4	94.6	93.9	94.1	95.8
11	Operating Profit (Loss) per RTM	16.8	12.0	12.4	11.1	10.7	11.5	10.7
12	Operating Expense per ATM	56.7	56.1	57.2	57.0	56.5	56.5	57.2
13	Passenger Revenue per RPM	12.69	12.42	12.55	12.48	12.42	12.62	12.87
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Invest	*	*	1.53	1.50	1.48	1.50	1.54
15	Times Interest Earned	*	*	5.32	4.52	4.19	4.26	3.97
16	Current Assets to Current Liabilities	*	*	0.78	0.72	0.73	0.89	0.75
17	No. of Days Cash Coverage of Cash	*	*	55.7	46.6	44.2	62.9	43.3
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating	15.5	11.4	11.6	10.5	10.2	10.9	10.0
19	Net Income to Stockholders Equity	*	*	18.2	17.0	17.0	16.9	16.8
20	Corporate Return on Investment	*	*	13.6	12.6	12.2	12.0	11.7
21	Debt to Total Investment	*	*	36.7	39.4	42.1	48.1	52.4
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	74.9	72.4	72.6	72.0	71.5	70.7	69.8
23	Breakeven	61.9	63.3	63.5	63.9	63.8	62.6	62.7
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg C	44,061	41,943	43,312	42,782	42,439	42,055	41,655
25	Overall RTM's per Employee (000)	52.5	51.0	203.6	202.1	200.8	200.3	199.7

CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER								
26	Operating Revenues (%)	12.3	0.8	6.3	3.4	-0.2	0.1	1.4
27	Operating Expenses (%)	7.1	-1.3	4.4	2.3	-0.7	-2.2	-0.9
28	Operating Profit (Loss) (in Millions \$)	132.7	42.5	207.8	117.6	33.7	187.6	198.0
29	Net Income (Loss)(in Millions \$)	85.9	28.6	202.1	144.8	76.5	92.1	63.9
30	RPMs (Sch. Svc.) (%)	11.3	8.4	10.9	10.2	8.0	5.4	3.2
31	ASMs (Sch. Svc.) (%)	7.6	2.0	6.6	5.2	2.9	0.8	-0.8
32	Operating Revenues per RTM (%)	3.8	-3.2	0.3	-1.5	-4.2	-3.0	-1.3
33	Operating Expense per RTM (%)	-1.0	-5.2	-1.5	-2.6	-4.6	-5.2	-3.6
34	Passenger Revenue per RPM (Sch.	2.2	-6.5	-2.5	-4.7	-7.0	-5.3	-2.1

**QUARTERLY FINANCIAL & TRAFFIC REVIEW
SYSTEM OPERATIONS
SOUTHWEST AIRLINES**



QUARTERLY RESULTS

- o Southwest experienced the best quarter in its history as it reported company records for both operating and net results.
- o Operating revenues advanced a major group high 23.3 percent, offsetting the 20.8 percent jump in operating expenses, also a group high, causing operating profit to improve \$39.6 million to \$142.2 million.
- o Net income jumped \$25.6 million to \$85.3 million.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1995	1996	\$ Change	1995	1996	\$ Change	1995	1996	Change %	1995	1996	Change %	
Domestic	102.6	142.2	39.6	59.7	85.3	25.6	6.0	6.8	13.6	8.9	10.2	13.9	67.0%
Int'l	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Atlantic	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Latin	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Pacific	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
System	102.6	142.2	39.6	59.7	85.3	25.6	6.0	6.8	13.6	8.9	10.2	13.9	67.0%

- o Interest expense was relatively unchanged, down \$0.3 million to \$14.7 million.
- o With Southwest's entry into Florida markets RPMs rose a strong 13.6 percent. ASM capacity also rose, up a major group high 13.9 percent, producing a slight 0.2 percentage point decline in the passenger load factor to 67 percent, the only load factor decline among the majors. The breakeven declined further, however, widening the difference to 12.9 points.
- o Passenger (RPM) yield rose a major group high 8.6 percent to 12.87 cents.
- o Total fuel expense jumped 29.8 percent due to increases in both consumption, up 12.6 percent, and unit fuel prices, up 15.2 percent.

12-MONTH RESULTS

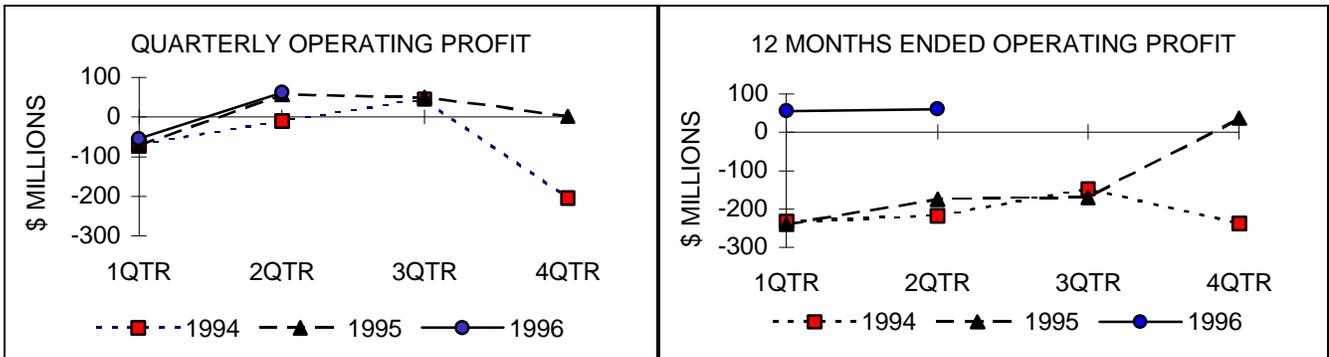
- o Operating and net results continued to set new records for the carrier, again reaching new all-time highs during the 12-months ended June 1996.
- o Operating revenues, up 21.6 percent, grew faster than operating expenses, up 18.6, for the second consecutive quarter-ended 12-month period.
- o Operating profit increased \$127.5 million to \$381 million.
- o Net income rose \$78.9 million to \$229.4 million.
- o The operating profit margin was the best among the majors at 11.9 percent.
- o Slowing growth in ASMs, up 14.9 percent, still exceeded the 13.6 percent increase in RPMs causing the passenger load factor to dip 0.8 percentage points to 64.3 percent. United was the only other major with a decline (0.3 points) in the passenger load factor.
- o Passenger (RPM) yield rose 7.4 percent to 12.39 cents.
- o Southwest was the only major to show an increase in interest expense, up \$4.6 million to \$59.2 million.
- o The debt-to-investment ratio, down 4.4 percentage points to 30 percent, was the lowest among all majors.
- o Southwest's success comes despite being one of only two majors (the other being United) to experience a decline in productivity (RTMs per employee), down sharply from 133.8 a year ago to 128.5.

**QUARTERLY FINANCIAL & TRAFFIC REVIEW
SYSTEM OPERATIONS
SOUTHWEST AIRLINES**

ITEMS	QUARTER ENDED		12 MONTHS ENDED					
	9606	9506	9606	9603	9512	9509	9506	
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	910.6	738.5	3,197.4	3,025.3	2,873.5	2,750.1	2,629.0
2	Operating Expenses	768.4	635.9	2,816.4	2,683.9	2,564.9	2,475.5	2,375.5
3	Operating Profit (Loss)	142.2	102.6	381.0	341.4	308.5	274.7	253.5
4	Net Income (Loss)	85.3	59.7	229.4	203.8	182.6	159.6	150.5
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	6.81	5.99	24.78	23.96	23.33	22.83	21.82
6	ASMs - Scheduled Rev. Svc.	10.16	8.92	38.53	37.29	36.17	35.09	33.54
7	Overall RTMs (All Svc.)	0.71	0.62	2.57	2.48	2.41	2.38	2.27
8	Overall ATMs (All Svc.)	1.30	1.14	4.93	4.77	4.64	4.53	4.35
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	128.8	119.2	124.7	122.1	119.0	115.8	115.6
10	Operating Expense per RTM	108.7	102.7	109.8	108.3	106.3	104.2	104.5
11	Operating Profit (Loss) per RTM	20.1	16.6	14.9	13.8	12.8	11.6	11.1
12	Operating Expense per ATM	58.9	55.5	57.1	56.3	55.3	54.6	54.6
13	Passenger Revenue per RPM	12.87	11.85	12.39	12.12	11.83	11.57	11.54
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Invest	*	*	1.52	1.48	1.45	1.43	1.41
15	Times Interest Earned	*	*	12.57	12.24	12.12	12.78	12.01
16	Current Assets to Current Liabilities	*	*	0.90	0.73	0.77	0.86	0.82
17	No. of Days Cash Coverage of Cash	*	*	65.8	46.8	47.9	57.3	65.3
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating	15.6	13.9	11.9	11.3	10.7	10.0	9.6
19	Net Income to Stockholders Equity	*	*	16.1	14.9	13.8	12.5	12.2
20	Corporate Return on Investment	*	*	12.5	11.4	10.6	9.5	9.3
21	Debt to Total Investment	*	*	30.0	31.3	32.1	33.1	34.4
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	67.0	67.2	64.3	64.3	64.5	65.1	65.1
23	Breakeven	54.9	56.4	55.4	55.9	56.5	57.6	57.8
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg C	21,220	18,568	19,993	19,330	18,682	17,911	16,993
25	Overall RTM's per Employee (000)	33.3	33.4	128.3	128.2	129.2	132.6	133.8

CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER								
26	Operating Revenues (%)	23.3	21.5	21.6	21.1	18.9	18.0	17.3
27	Operating Expenses (%)	20.8	24.3	18.6	19.2	20.6	23.7	24.0
28	Operating Profit (Loss) (in Millions \$)	39.6	6.8	127.5	94.7	18.6	-53.9	-70.9
29	Net Income (Loss)(in Millions \$)	25.6	1.2	78.9	54.5	3.3	-40.7	-35.1
30	RPMs (Sch. Svc.) (%)	13.6	23.2	13.6	15.8	17.9	22.2	21.2
31	ASMs (Sch. Svc.) (%)	13.9	27.8	14.9	18.0	22.1	26.8	26.4
32	Operating Revenues per RTM (%)	8.1	-1.1	7.9	5.5	1.6	-3.8	-3.8
33	Operating Expense per RTM (%)	5.8	1.2	5.1	3.8	3.1	0.9	1.8
34	Passenger Revenue per RPM (Sch.	8.6	-0.2	7.4	5.2	1.5	-2.9	-3.3

**QUARTERLY FINANCIAL & TRAFFIC REVIEW
SYSTEM OPERATIONS
TRANS WORLD AIRLINES**



QUARTERLY RESULTS

- o After 22 months of operating under the protection of Chapter 11 bankruptcy laws, Trans World obtained confirmation of a Plan of Reorganization from the bankruptcy court and emerged from bankruptcy on November 3, 1993. On June 30, 1995, Trans World again filed bankruptcy to implement a prepackaged restructuring plan. It emerged from the second bankruptcy on August 23, 1995.
- o Trans World experienced its most profitable second quarter (excluding extraordinary gains) since 1989.
- o Operating profit was up \$5.5 million to \$62 million even though operating expenses, up 14.1 percent, grew slightly faster than operating revenues, up 13.8 percent.
- o Net income jumped \$20.1 million to \$25.3 million.
- o The systemwide operating and net profits and improvements occurred despite a drop in Atlantic operating results and the Atlantic entity showing both an operating and net loss for the second quarter.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1995	1996	\$ Change	1995	1996	\$ Change	1995	1996	Change %	1995	1996	Change %	
Domestic	63.2	77.0	13.8	22.7	28.6	5.9	4.5	5.0	10.9	6.9	7.5	8.3	66.6%
Int'l	-6.7	-15.0	-8.3	-17.5	-3.4	14.2	1.8	2.1	17.3	2.4	2.6	7.0	79.1%
Atlantic	-6.7	-15.0	-8.3	-17.5	-3.4	14.2	1.8	2.1	17.3	2.4	2.6	7.0	79.1%
Latin	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Pacific	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
System	56.5	62.0	5.5	5.2	25.3	20.1	6.2	7.0	12.7	9.3	10.1	8.0	69.8%

- o The passenger load factor gained 2.9 percentage points to 69.8 percent, 3.8 points above operating breakeven.
- o Passenger (RPM) yield rose 1.4 percent to 11.93 cents.
- o The debt-to-investment ratio tumbled 83.6 percentage points to 69.8 percent, as total debt tumbled \$461.5 million and equity soared over \$1 billion.
- o Total fuel expense jumped 21.5 percent as consumption rose 6.2 percent and unit fuel prices shot up a 14.4 percent

12-MONTH RESULTS

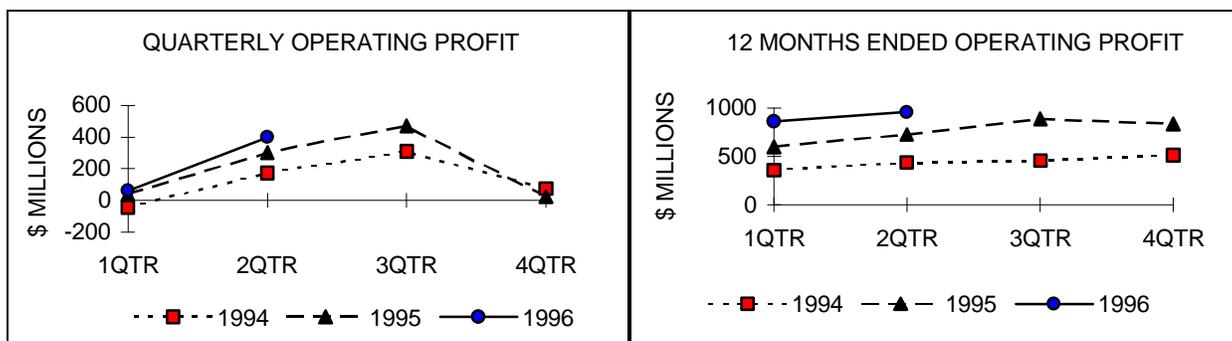
- o Despite the positive trends experienced in recent quarters, operating profit for the 12-months ended June 1996 was the lowest among the majors, and Trans World reported the only net loss among all majors.
- o Operating results moved into the black, improving \$234.7 million to a profit of \$60.4 million, as operating revenues rose 7.1 percent and operating expenses dipped 0.1 percent.
- o Net results gained \$249.2 million, but remained in the red with a loss of \$121.7 million.
- o Passenger (RPM) yield increased 3.6 percent to 11.59 cents.
- o The passenger load factor was up 2.2 percentage points to 66.8 percent.
- o Profitability was greatly enhanced as RTM yield rose 4.4 percent, while RTM unit costs declined 2.5 percent.
- o Productivity (RTMs per full time employee) rose from 133.4 a year ago to 136.3.

QUARTERLY FINANCIAL & TRAFFIC REVIEW
SYSTEM OPERATIONS
TRANS WORLD AIRLINES

ITEMS	QUARTER ENDED		12 MONTHS ENDED					
	9606	9506	9606	9603	9512	9509	9506	
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	965.8	848.9	3,496.6	3,379.7	3,280.9	3,240.9	3,264.4
2	Operating Expenses	903.8	792.4	3,436.1	3,324.7	3,243.9	3,410.9	3,438.7
3	Operating Profit (Loss)	62.0	56.5	60.4	54.9	37.0	-170.0	-174.3
4	Net Income (Loss)	25.3	5.2	-121.7	-141.8	-227.5	-444.9	-370.9
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	7.03	6.24	26.17	25.38	24.91	24.84	24.91
6	ASMs - Scheduled Rev. Svc.	10.07	9.33	39.16	38.42	37.91	38.15	38.56
7	Overall RTMs (All Svc.)	0.81	0.74	3.07	2.99	2.95	2.96	2.99
8	Overall ATMs (All Svc.)	1.39	1.30	5.45	5.36	5.28	5.32	5.39
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	118.6	114.7	113.9	112.9	111.4	109.4	109.1
10	Operating Expense per RTM	111.0	107.1	112.0	111.0	110.1	115.1	114.9
11	Operating Profit (Loss) per RTM	7.6	7.6	2.0	1.8	1.3	-5.7	-5.8
12	Operating Expense per ATM	64.9	61.1	63.0	62.1	61.4	64.1	63.9
7	Passenger Revenue per RPM	11.93	11.76	11.59	11.53	11.39	11.24	11.19
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Invest	*	*	2.52	2.65	2.77	2.79	2.84
15	Times Interest Earned	*	*	-1.22	-1.14	-1.19	-2.19	-0.81
16	Current Assets to Current Liabilities	*	*	0.83	0.88	0.87	0.83	0.69
17	No. of Days Cash Coverage of Cash	*	*	33.9	43.2	34.0	28.3	16.7
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating	6.4	6.7	1.7	1.6	1.1	-5.2	-5.3
19	Net Income to Stockholders Equity	*	*	-64.2	0.0	123.4	159.2	101.4
20	Corporate Return on Investment	*	*	0.4	0.7	-4.9	-22.5	-14.4
21	Debt to Total Investment	*	*	69.8	71.2	78.9	81.0	153.4
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	69.8	66.9	66.8	66.1	65.7	65.1	64.6
23	Breakeven	66.0	63.6	67.4	67.0	67.1	71.8	71.6
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg C	23,407	21,762	22,571	22,160	21,945	21,930	22,425
25	Overall RTM's per Employee (000)	34.8	34.0	136.0	135.1	134.3	135.1	133.4

CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER								
26	Operating Revenues (%)	13.8	-2.4	7.1	2.9	-2.1	-3.7	0.5
	Operating Expenses (%)	14.1	-9.9	-0.1	-5.7	-9.6	-2.9	-0.8
28	Operating Profit (Loss) (in Millions \$)	5.5	66.2	234.7	295.4	275.1	-22.7	43.9
29	Net Income (Loss)(in Millions \$)	20.1	63.3	249.2	292.4	208.3	-1,295.6	-1,167.9
30	RPMs (Sch. Svc.) (%)	12.7	0.6	5.1	2.1	0.9	1.5	4.6
31	ASMs (Sch. Svc.) (%)	8.0	-3.0	1.6	-1.1	-2.5	-0.5	3.6
32	Operating Revenues per RTM (%)	3.4	-1.9	4.4	2.9	-0.7	-4.0	-3.9
33	Operating Expense per RTM (%)	3.6	-9.4	-2.5	-5.7	-8.4	-3.2	-5.2
34	Passenger Revenue per RPM (Sch.	1.4	0.5	3.6	3.2	-0.2	-2.4	-1.9

**QUARTERLY FINANCIAL & TRAFFIC REVIEW
SYSTEM OPERATIONS
UNITED AIR LINES**



QUARTERLY RESULTS

- o United reported the best second quarter in its history in both operating and net results.
- o Operating profit jumped \$97.7 million to \$400 million, the second best performance among all majors (after American).
- o Net income also improved, rising \$42.3 million to \$195.9 million.
- o Except for the Pacific entity, which reported a deterioration in both operating and net results, and a small net loss in the Latin division, all entities experienced operating and net profits and improvements over the same quarter a year ago.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1995	1996	\$ Change	1995	1996	\$ Change	1995	1996	Change %	1995	1996	Change %	
Domestic	212.7	310.3	97.5	110.7	143.9	33.2	17.9	18.6	3.8	25.0	25.6	2.5	72.5%
Int'l	89.6	89.8	0.2	42.9	52.0	9.1	10.3	10.9	5.8	14.2	14.7	3.4	74.2%
Atlantic	5.3	38.1	32.7	-0.4	22.4	22.8	2.9	3.0	1.8	3.5	3.6	0.6	83.5%
Latin	-4.2	-0.8	3.4	-3.7	-1.1	2.6	1.1	1.2	7.5	1.9	2.0	6.0	58.7%
Pacific	88.4	52.6	-35.9	47.0	30.7	-16.3	6.3	6.7	7.3	8.8	9.1	4.0	73.9%
System	302.3	400.0	97.8	153.6	195.9	42.3	28.2	29.5	4.5	39.2	40.3	2.8	73.1%

- o The improvement in net results came despite a \$30 million extraordinary charge for the early repayment of debt.
- o Total debt was cut \$534.9 million to \$3.28 billion, helping to reduce interest expense, down \$15.6 million to \$70.4 million. Still, both total debt and interest expense were the second highest among all majors (after American).
- o RPMs rose 4.5 percent while ASMs rose a lesser 2.8 percent causing the passenger load factor to rise 1.2 percentage points to 73.1 percent.
- o Total fuel expense rose 15.1 percent due primarily to rising unit fuel prices, up 12.8 percent to 63.06 cents, as total consumption climbed only 2 percent.
- o Passenger (RPM) yield advanced 4.2 percent to 12.36 cents.

12-MONTH RESULTS

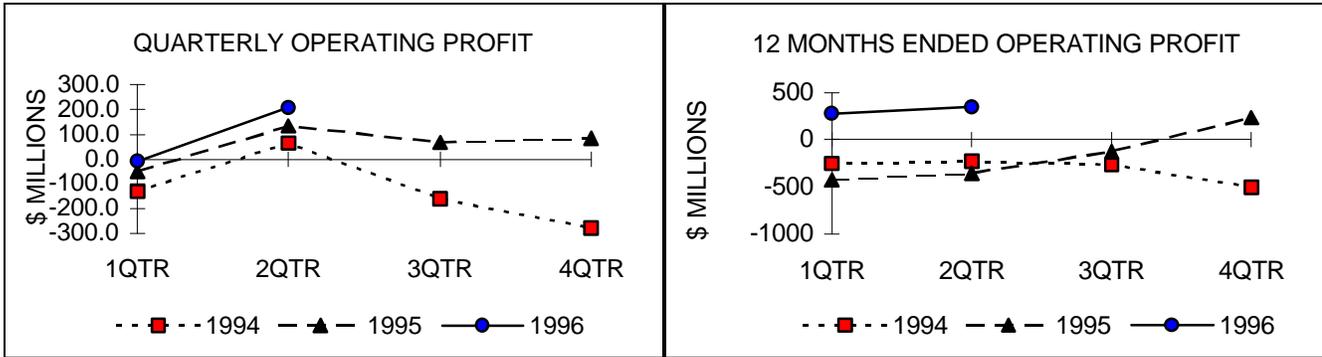
- o Operating profit jumped \$228.1 million to a profit of \$955.2 million, the highest level in the carrier's history.
- o Net income jumped \$148.8 million to \$376.6 million.
- o Interest expense dropped \$43.4 million to \$316.5 million.
- o Passenger (RPM) yield rose 5.8 percent to 11.96 cents.
- o The passenger load factor dipped 0.3 percentage points to 71.2 percent (only Northwest was higher at 72.6 percent), which was 2.6 points above the operating breakeven.
- o RTM yield increased 5.6 percent while RTM unit costs rose a slower 4.5 percent, boosting profits.
- o Productivity (RTMs per employee) declined from 192.9 a year ago to 188.0. Southwest was the only other major to have a decline in productivity.

**QUARTERLY FINANCIAL & TRAFFIC REVIEW
SYSTEM OPERATIONS
UNITED AIR LINES**

ITEMS	QUARTER ENDED		12 MONTHS ENDED					
	9606	9506	9606	9603	9512	9509	9506	
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	4,152.5	3,803.9	15,646.8	15,298.2	14,894.8	14,662.4	14,345.7
2	Operating Expenses	3,752.5	3,501.6	14,691.6	14,440.7	14,062.8	13,777.1	13,618.6
3	Operating Profit (Loss)	400.0	302.3	955.2	857.4	831.9	885.2	727.1
4	Net Income (Loss)	195.9	153.6	376.6	334.3	340.8	394.5	227.8
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	29.46	28.18	114.38	113.11	111.54	111.19	111.04
6	ASMs - Scheduled Rev. Svc.	40.30	39.20	160.71	159.62	158.24	157.00	155.24
7	Overall RTMs (All Svc.)	3.54	3.40	13.76	13.61	13.44	13.39	13.32
8	Overall ATMs (All Svc.)	5.80	5.59	23.08	22.87	22.64	22.41	22.12
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	117.3	112.0	113.7	112.4	110.8	109.5	107.7
10	Operating Expense per RTM	106.0	103.1	106.8	106.1	104.6	102.9	102.2
11	Operating Profit (Loss) per RTM	11.3	8.9	6.9	6.3	6.2	6.6	5.5
12	Operating Expense per ATM	64.7	62.7	63.7	63.1	62.1	61.5	61.6
13	Passenger Revenue per RPM	12.36	11.86	11.96	11.83	11.68	11.55	11.30
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Invest	*	*	3.91	3.85	3.72	3.61	3.58
15	Times Interest Earned	*	*	3.81	3.15	2.92	2.90	2.16
16	Current Assets to Current Liabilities	*	*	0.50	0.50	0.55	0.69	0.71
17	No. of Days Cash Coverage of Cash	*	*	15.7	12.5	15.5	43.2	51.8
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating	9.6	7.9	6.1	5.6	5.6	6.0	5.1
19	Net Income to Stockholders Equity	*	*	92.3	116.3	153.1	246.6	157.7
20	Corporate Return on Investment	*	*	16.2	16.0	16.4	17.9	14.2
21	Debt to Total Investment	*	*	84.0	92.9	96.2	84.3	92.6
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	73.1	71.9	71.2	70.9	70.5	70.8	71.5
23	Breakeven	67.2	67.4	68.6	68.7	68.3	68.1	69.7
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg C	74,177	71,236	73,202	72,467	71,381	70,186	69,058
25	Overall RTM's per Employee (000)	47.7	47.7	187.9	187.8	188.3	190.8	192.9

CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER								
26	Operating Revenues (%)	9.2	8.9	9.1	9.0	7.3	4.2	0.8
27	Operating Expenses (%)	7.2	5.4	7.9	7.5	5.1	1.2	-1.3
28	Operating Profit (Loss) (in Millions \$)	97.7	131.7	228.1	261.9	318.9	427.3	291.3
29	Net Income (Loss)(in Millions \$)	42.3	99.3	148.8	205.7	300.7	429.9	193.3
30	RPMs (Sch. Svc.) (%)	4.5	4.2	3.0	2.9	3.3	5.2	7.2
31	ASMs (Sch. Svc.) (%)	2.8	3.7	3.5	3.8	4.2	4.2	2.8
32	Operating Revenues per RTM (%)	4.7	3.5	5.6	5.3	3.0	-1.6	-5.9
33	Operating Expense per RTM (%)	2.8	0.2	4.5	3.8	1.0	-4.5	-7.9
34	Passenger Revenue per RPM (Sch.	4.2	4.8	5.8	6.0	4.0	-0.2	-5.4

**QUARTERLY FINANCIAL & TRAFFIC REVIEW
SYSTEM OPERATIONS
USAIR**



QUARTERLY RESULTS

- o USAir attained all-time carrier records during the second quarter 1996 in both operating and net profits.
- o Operating revenues, up 7.6 percent, grew faster than operating expenses, up 4 percent, producing an improvement in operating results of \$71.9 million to \$206.6 million.
- o Net results jumped \$82.8 million to \$160.6 million.
- o The domestic and Latin entities reported improvements in both operating and net results, however, domestic operations were dominant.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1995	1996	\$ Change	1995	1996	\$ Change	1995	1996	Change %	1995	1996	Change %	
Domestic	131.9	202.3	70.5	78.8	159.1	80.3	9.4	9.3	-0.6	14.1	13.2	-6.7	70.8%
Int'l	2.9	4.2	1.4	-1.0	1.5	2.4	0.6	0.7	18.6	0.8	0.9	19.4	76.1%
Atlantic	5.8	6.0	0.3	3.0	4.0	1.0	0.4	0.5	26.0	0.5	0.7	37.2	78.7%
Latin	-2.9	-1.8	1.1	-4.0	-2.5	1.5	0.2	0.2	-0.4	0.3	0.2	-12.8	68.7%
Pacific	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
System	134.7	206.6	71.8	77.8	160.6	82.7	10.0	10.0	0.6	14.9	14.1	-5.3	71.1%

- o The passenger load factor rose 4.1 percentage points to 71.1 percent, despite the smallest increase in RPMs among the majors, up 0.6 percent, as ASMs were cut 5.3 percent.
- o RTM yield, up 7.4 percent, grew faster than RTM unit costs, up 3.8 percent, enhancing profitability.
- o Total fuel expense was relatively unchanged despite a 12.5 percent increase in unit fuel prices to 58.61 cents as consumption fell 11.1 percent.
- o Passenger (RPM) yield advanced 8.9 percent to a group high 17.82 cents.
- o USAir faces new competition in the southeast as Southwest initiated operations in various Florida markets during the second quarter.

12-MONTH RESULTS

- o USAir reported its third consecutive quarter-ended 12-month operating and net profits after 6 consecutive years of losses.
- o Operating results soared upward a major group high \$701.3 million to a profit of \$347.6 million as operating revenues rose 6.6 percent, while operating expenses were cut 3.4 percent, the largest reduction among the majors.
- o Net results also moved into the black, jumping \$714.1 million to a profit of \$162.6 million. Only Continental reported a larger improvement.
- o Interest expense declined \$9 million to \$278.5 million.
- o The passenger load factor rose a major group high 4.3 percentage points to 67 percent.
- o Passenger (RPM) yield jumped 10.2 percent to 17.31 cents, a major group high.
- o As USAir continues to post profits, the debt-to-investment ratio has started to decline, down 2.9 percentage points to 108.2 percent.
- o Productivity continued to be a group low, although it improved from 107.6 a year ago to 109.0.

**QUARTERLY FINANCIAL & TRAFFIC REVIEW
SYSTEM OPERATIONS
US AIRWAYS**

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9606	9506	9606	9603	9512	9509	9506
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	1,993.6	1,852.5	7,201.1	7,060.0	6,984.9	6,843.9	6,742.8
2	Operating Expenses	1,787.0	1,717.7	6,853.2	6,784.0	6,750.2	6,970.8	7,096.2
3	Operating Profit (Loss)	206.6	134.7	347.9	276.0	234.7	-126.8	-353.4
4	Net Income (Loss)	160.6	77.8	162.6	79.9	33.0	-343.3	-551.5
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	10.04	9.99	37.31	37.25	37.62	37.97	38.58
6	ASMs - Scheduled Rev. Svc.	14.12	14.91	55.66	56.45	58.16	60.10	61.57
7	Overall RTMs (All Svc.)	1.08	1.08	4.04	4.04	4.08	4.12	4.22
8	Overall ATMs (All Svc.)	1.91	2.00	7.49	7.58	7.79	7.99	8.13
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	183.9	171.6	178.1	174.9	171.2	166.0	159.8
10	Operating Expense per RTM	164.8	159.1	169.5	168.0	165.4	169.1	168.2
11	Operating Profit (Loss) per RTM	19.1	12.5	8.6	6.8	5.7	-3.1	-8.4
12	Operating Expense per ATM	93.8	86.0	91.5	89.4	86.7	87.2	87.3
13	Passenger Revenue per RPM	17.95	16.79	17.31	17.00	16.66	16.17	15.71
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Invest	*	*	2.86	2.77	2.69	2.55	2.43
15	Times Interest Earned	*	*	1.58	1.28	1.13	-0.17	-0.94
16	Current Assets to Current Liabilities	*	*	0.67	0.60	0.61	0.63	0.60
17	No. of Days Cash Coverage of Cash	*	*	69.4	47.0	51.3	48.4	41.8
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating	10.4	7.3	4.8	3.9	3.4	-1.9	-5.2
19	Net Income to Stockholders Equity	*	*	-56.2	-24.7	-10.8	144.4	396.3
20	Corporate Return on Investment	*	*	18.0	14.8	12.7	-1.9	-9.6
21	Debt to Total Investment	*	*	108.2	115.5	112.5	110.4	111.1
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	71.1	67.0	67.0	66.0	64.7	63.2	62.7
23	Breakeven	64.4	62.9	65.4	65.1	64.2	66.8	68.8
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg C	36,650	38,342	37,016	37,439	38,023	38,629	39,228
25	Overall RTM's per Employee (000)	29.6	28.2	109.2	107.8	107.3	106.7	107.6

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	7.6	5.0	6.8	6.1	6.2	2.4	1.0
27	Operating Expenses (%)	4.0	1.1	-3.4	-4.2	-4.7	0.3	2.8
28	Operating Profit (Loss) (in Millions \$)	71.9	70.8	701.3	700.2	739.8	139.1	-126.6
29	Net Income (Loss)(in Millions \$)	82.8	76.4	714.1	707.9	749.2	161.2	-16.2
30	RPMs (Sch. Svc.) (%)	0.6	-0.5	-3.3	-3.6	-0.9	0.8	5.0
31	ASMs (Sch. Svc.) (%)	-5.3	-2.9	-9.6	-9.0	-4.7	-0.7	2.7
32	Operating Revenues per RTM (%)	7.2	5.9	11.5	11.1	8.3	2.7	-4.1
33	Operating Expense per RTM (%)	3.6	1.9	0.8	0.4	-2.9	0.7	-2.4
34	Passenger Revenue per RPM (Sch.	6.9	5.5	10.2	9.8	6.7	0.7	-4.7

QUARTERLY FINANCIAL & TRAFFIC REVIEW
SYSTEM OPERATIONS
TOTAL ALL-CARGO MAJORS

QUARTERLY RESULTS

- o Federal Express and UPS each reported year-to-year improvements and profits in both operating and net results.
- o Operating revenues and operating expenses each rose by 10.3 percent, leading to a \$17.9 million gain in operating profit to \$183.4 million.
- o Net results advanced \$11.9 million to \$90.8 million.

Quarter Ended	\$ Millions					
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)		
	LAST YEAR 1995	THIS YEAR 1996	\$ Change	LAST YEAR 1995	THIS YEAR 1996	\$ Change
March	158.7	135.4	-23.3	86.0	57.3	-28.7
June	165.5	183.4	17.9	78.9	90.8	11.9
Sept.	143.6	149.0	5.4	71.4	80.7	9.3
Dec.	165.2	255.3	90.1	75.8	119.8	44.0

- o Total fuel expense jumped 23.5 percent as fuel consumption was up 5.6 percent and unit fuel prices increased 16.9 percent to an average of 68.94 cents.
- o The domestic, Atlantic and Latin entities reported operating and net profits and improvements, while the Pacific operation saw operating and net results fall deeper into the red.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			TON
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RTMs (All Svc.)			ATMs (All Svc.)			
	1995	1996	\$ Change	1995	1996	\$ Change	1995	1996	Change %	1995	1996	Change %	
Domestic	197.2	223.7	26.5	97.6	113.7	16.2	1.42	1.49	5.2	2.41	2.54	5.5	58.8%
Int'l	-31.7	-40.3	-8.6	-18.7	-22.9	-4.2	0.65	0.69	6.5	1.05	1.17	11.1	59.2%
Atlantic	-2.3	11.2	13.5	-5.0	3.0	7.9	0.19	0.20	5.8	0.31	0.32	5.9	62.5%
Latin	-9.5	3.2	12.7	-6.6	4.8	11.4	0.04	0.04	10.9	0.08	0.08	-1.4	54.2%
Pacific	-19.8	-54.7	-34.8	-7.1	-30.7	-23.5	0.42	0.45	6.5	0.67	0.77	14.9	58.4%
System	165.5	183.4	17.9	78.9	90.8	11.9	2.07	2.19	5.6	3.46	3.71	7.2	58.9%

- o The ton-load factor dipped 0.8 percentage points to 59 percent, reflecting faster growth in ATM capacity, up 7.2 percent, than in RTM traffic, up 5.7 percent.
- o Total debt for the all-cargo majors rose \$106.7 million due entirely to the \$359.2 million increase reported by UPS as Federal Express cut its total debt by \$252.5 million. Still, rising equity pushed the debt-to-investment ratio down 1.6 percentage points to 49.2 percent.

12-MONTH RESULTS

- o Both Federal Express and United Parcel Service experienced an operating and net profit for the 12-months ended June 1996, but all results were down from a year ago.
- o Operating profit fell \$75.4 million to \$627.7 million.
- o Net income dropped \$65.2 million to \$295.3 million.
- o The ton load factor dipped 0.9 percentage points to 59 percent as ATM capacity, up 6.4 percent, grew faster than RTM traffic, up 4.8 percent.
- o Productivity (RTMs per employee) rose slightly from 113.2 to 113.9.
- o Profits declined as RTM yield growth, up 3.2 percent, was exceeded by the 4.5 percent increase in RTM unit costs.

**QUARTERLY FINANCIAL & TRAFFIC REVIEW
SYSTEM OPERATIONS
TOTAL ALL-CARGO MAJORS**

ITEMS	QUARTER ENDED		12 MONTHS ENDED					
	9606	9506	9606	9603	9512	9509	9506	
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	3,116.5	2,825.4	11,965.3	11,674.2	11,455.2	11,255.1	11,060.2
2	Operating Expenses	2,933.1	2,659.9	11,337.7	11,064.5	10,822.2	10,582.9	10,357.1
3	Operating Profit (Loss)	183.4	165.5	627.7	609.8	633.0	672.1	703.1
4	Net Income (Loss)	90.8	78.9	295.3	283.3	312.0	347.2	360.5
<u>TRAFFIC: (Billions)</u>								
5	RTMs - Scheduled Rev. Svc.	1.46	2.00	5.68	6.22	6.79	7.37	7.90
6	ATMs - Scheduled Rev. Svc.	2.46	3.33	9.55	10.42	11.32	12.33	13.16
7	Overall RTMs (All Services)	2.19	2.07	8.63	8.51	8.47	8.33	8.23
8	Overall ATMs (All Services)	3.71	3.46	14.62	14.37	14.19	13.97	13.74
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	142.6	136.5	138.7	137.1	135.3	135.1	134.3
10	Operating Expense per RTM	134.2	128.5	131.4	130.0	127.8	127.0	125.8
11	Operating Profit (Loss) per RTM	8.4	8.0	7.3	7.2	7.5	8.1	8.5
12	Operating Expense per ATM	79.1	76.9	77.6	77.0	76.3	75.7	75.4
13	Passenger Revenue per RPM	++	++	++	++	++	++	++
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investr	*	*	1.78	1.77	1.79	1.81	1.83
15	Times Interest Earned	*	*	5.96	5.66	5.79	6.03	5.80
16	Current Assets to Current Liabilities	*	*	1.27	1.26	1.16	1.09	1.19
17	No. of Days Cash Coverage of Cash	*	*	3.2	7.3	4.8	4.2	11.2
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating	5.9	5.9	5.2	5.2	5.5	6.0	6.4
19	Net Income to Stockholders Equity	*	*	8.9	8.8	9.9	11.4	12.2
20	Corporate Return on Investment	*	*	6.0	6.0	6.7	7.5	8.1
21	Debt to Total Investment	*	*	49.2	51.9	51.4	50.8	50.8
<u>TON LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	58.9	59.8	59.0	59.3	59.7	59.6	59.9
23	Breakeven	++	++	++	++	++	++	++
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg C	77,010	73,656	75,837	74,998	74,164	73,346	72,739
25	Overall RTM's per Employee (000)	28.4	28.1	113.8	113.5	114.2	113.6	113.2

CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER								
26	Operating Revenues (%)	10.3	10.6	8.2	8.2	9.5	10.9	11.9
27	Operating Expenses (%)	10.3	11.2	9.5	9.7	10.6	11.3	11.7
28	Operating Profit (Loss) (in Millions \$)	17.9	3.4	-75.4	-90.0	-42.6	38.1	98.5
29	Net Income (Loss)(in Millions \$)	11.9	15.3	-65.2	-62.0	-5.7	92.1	128.8
30	RTMs (All Svc.) (%)	5.6	10.1	4.8	5.8	9.7	12.8	16.2
31	ATMs (All Svc.) (%)	7.2	12.0	6.4	7.5	10.3	13.3	16.0
32	Operating Revenues per RTM (%)	4.5	0.4	3.3	2.2	-0.2	-1.6	-3.7
33	Operating Expense per RTM (%)	4.4	0.9	4.5	3.7	0.8	-1.4	-3.9
34	Passenger Revenue per RPM (Sch.	++	++	++	++	++	++	++

**QUARTERLY FINANCIAL & TRAFFIC REVIEW
DOMESTIC OPERATIONS
TOTAL ALL-CARGO MAJORS**

ITEMS	QUARTER ENDED		12 MONTHS ENDED					
	9606	9506	9606	9603	9512	9509	9506	
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	2,541.2	2,315.7	9,774.4	9,549.0	9,380.3	9,234.3	9,099.5
2	Operating Expenses	2,317.5	2,118.6	8,973.0	8,774.0	8,608.3	8,457.4	8,305.6
3	Operating Profit (Loss)	223.7	197.2	801.5	775.0	772.0	776.9	793.8
4	Net Income (Loss)	113.7	97.6	407.1	391.0	401.4	415.6	419.3
<u>TRAFFIC: (Billions)</u>								
5	RTMs - Scheduled Rev. Svc.	0.82	1.40	3.20	3.78	4.36	4.98	5.56
6	ATMs - Scheduled Rev. Svc.	1.37	2.36	5.40	6.39	7.37	8.48	9.43
7	Overall RTMs (All Services)	1.49	1.42	5.96	5.89	5.84	5.73	5.67
8	Overall ATMs (All Services)	2.54	2.41	10.13	10.00	9.87	9.75	9.62
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	170.1	163.1	164.0	162.2	160.7	161.1	160.5
10	Operating Expense per RTM	155.1	149.2	150.5	149.0	147.5	147.5	146.5
11	Operating Profit (Loss) per RTM	15.0	13.9	13.4	13.2	13.2	13.6	14.0
12	Operating Expense per ATM	91.2	88.0	88.6	87.8	87.2	86.8	86.4
13	Passenger Revenue per RPM	++	++	++	++	++	++	++
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Invest	*	*	**	**	**	**	**
15	Times Interest Earned	*	*	**	**	**	**	**
16	Current Assets to Current Liabilities	*	*	**	**	**	**	**
17	No. of Days Cash Coverage of Cash	*	*	**	**	**	**	**
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating	8.8	8.5	8.2	8.1	8.2	8.4	8.7
19	Net Income to Stockholders Equity	*	*	**	**	**	**	**
20	Corporate Return on Investment	*	*	9.1	9.0	9.6	10.2	10.7
21	Debt to Total Investment	*	*	**	**	**	**	**
<u>TON LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	58.8	59.0	58.9	58.9	59.1	58.8	58.9
23	Breakeven	++	++	++	++	++	++	++
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg C	*	*	**	**	**	**	**
25	Overall RTM's per Employee (000)	*	*	**	**	**	**	**

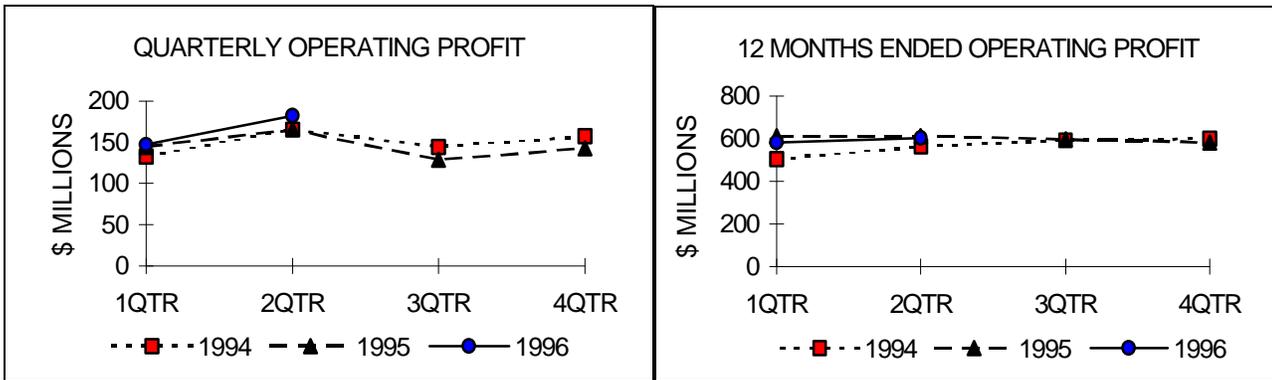
CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER								
26	Operating Revenues (%)	9.7	10.4	7.4	7.5	8.9	10.4	11.6
27	Operating Expenses (%)	9.4	10.8	8.0	8.3	9.5	11.0	12.3
28	Operating Profit (Loss) (in Millions \$)	26.5	10.9	7.7	-8.0	17.4	30.4	36.6
29	Net Income (Loss)(in Millions \$)	16.1	16.3	-12.2	-12.0	19.4	56.8	63.3
30	RTMs (All Svc.) (%)	5.2	7.7	5.1	5.7	8.5	10.7	13.9
31	ATMs (All Svc.) (%)	5.5	9.9	5.3	6.3	8.4	11.5	14.4
32	Operating Revenues per RTM (%)	4.3	2.4	2.2	1.7	0.4	-0.3	-2.1
33	Operating Expense per RTM (%)	4.0	2.8	2.7	2.4	1.0	0.3	-1.5
34	Passenger Revenue per RPM (Sch.	++	++	++	++	++	++	++

**QUARTERLY FINANCIAL & TRAFFIC REVIEW
INTERNATIONAL OPERATIONS
TOTAL ALL-CARGO MAJORS**

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9606	9506	9606	9603	9512	9509	9506
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	575.3	509.7	2,190.9	2,125.2	2,074.9	2,020.8	1,960.7
2	Operating Expenses	615.6	541.4	2,364.7	2,290.4	2,213.8	2,125.5	2,051.5
3	Operating Profit (Loss)	-40.3	-31.7	-173.8	-165.2	-138.9	-104.7	-90.7
4	Net Income (Loss)	-22.9	-18.7	-111.9	-107.6	-89.4	-68.4	-58.7
<u>TRAFFIC: (Billions)</u>								
5	RTMs - Scheduled Rev. Svc.	0.65	0.60	2.48	2.44	2.43	2.39	2.34
6	ATMs - Scheduled Rev. Svc.	1.08	0.96	4.15	4.03	3.95	3.85	3.73
7	Overall RTMs (All Services)	0.69	0.65	2.67	2.63	2.63	2.60	2.56
8	Overall ATMs (All Services)	1.17	1.05	4.49	4.37	4.32	4.22	4.12
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	83.2	78.5	82.1	81.0	78.8	77.7	76.5
10	Operating Expense per RTM	89.0	83.3	88.6	87.2	84.1	81.8	80.0
11	Operating Profit (Loss) per RTM	-5.8	-4.9	-6.5	-6.3	-5.3	-4.0	-3.5
12	Operating Expense per ATM	52.7	51.5	52.7	52.4	51.2	50.3	49.8
13	Passenger Revenue per RPM	++	++	++	++	++	++	++
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Invest	*	*	**	**	**	**	**
15	Times Interest Earned	*	*	**	**	**	**	**
16	Current Assets to Current Liabilities	*	*	**	**	**	**	**
17	No. of Days Cash Coverage of Cash	*	*	**	**	**	**	**
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating	-7.0	-6.2	-7.9	-7.8	-6.7	-5.2	-4.6
19	Net Income to Stockholders Equity	*	*	**	**	**	**	**
20	Corporate Return on Investment	*	*	-6.7	-6.4	-5.3	-3.6	-2.8
21	Debt to Total Investment	*	*	**	**	**	**	**
<u>TON LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	59.2	61.8	59.5	60.1	60.9	61.5	62.2
23	Breakeven	++	++	++	++	++	++	++
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg C	*	*	**	**	**	**	**
25	Overall RTM's per Employee (000)	*	*	**	**	**	**	**

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	12.9	11.6	11.7	11.4	12.1	13.5	13.7
27	Operating Expenses (%)	13.7	12.6	15.3	15.0	14.8	12.3	9.3
28	Operating Profit (Loss) (in Millions \$)	-8.6	-7.5	-83.1	-82.0	-59.9	7.7	61.9
29	Net Income (Loss)(in Millions \$)	-4.2	-1.1	-53.2	-49.9	-25.1	35.3	65.7
30	RTMs (All Svc.) (%)	6.5	15.5	4.1	6.0	12.5	17.7	21.4
31	ATMs (All Svc.) (%)	11.1	17.3	8.8	10.1	14.7	17.7	20.0
32	Operating Revenues per RTM (%)	6.0	-3.3	7.3	5.1	-0.4	-3.6	-6.4
33	Operating Expense per RTM (%)	6.8	-2.6	10.8	8.5	1.9	-4.6	-10.0
34	Passenger Revenue per RPM (Sch.	++	++	++	++	++	++	++

**QUARTERLY FINANCIAL & TRAFFIC REVIEW
SYSTEM OPERATIONS
FEDERAL EXPRESS**



QUARTERLY RESULTS

- o Both operating revenues and operating expenses grew 10.6 percent over the same quarter a year ago, causing a \$16.7 million improvement in operating profit to \$182.1 million, an all-time carrier record for any quarter.
- o Net income was up \$10.9 million to \$89.7 million.
- o The only deterioration in operating and net results occurred in the Pacific division, down \$27.9 million and \$16.2 million, respectively. Improvements in the other three entities were enough to produce an improvements in overall systemwide results.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			TON L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RTMs (All Svc.)			ATMs (All Svc.)			
	1995	1996	\$ Change	1995	1996	\$ Change	1995	1996	Change %	1995	1996	Change %	
Domestic	205.5	226.6	21.1	107.0	118.3	11.3	0.78	0.84	8.1	1.31	1.42	9.0	59.3%
Int'l	-40.1	-44.4	-4.3	-28.2	-28.6	-0.4	0.47	0.52	9.3	0.73	0.85	16.7	61.0%
Atlantic	-2.3	13.9	16.2	-4.9	6.8	11.7	0.12	0.14	13.2	0.19	0.21	12.7	64.9%
Latin	-8.2	-0.9	7.3	-5.1	-1.0	4.1	0.04	0.04	9.3	0.07	0.07	-2.3	54.5%
Pacific	-29.5	-57.4	-27.9	-18.2	-34.5	-16.2	0.32	0.34	7.8	0.47	0.56	21.3	60.3%
System	165.4	182.1	16.8	78.8	89.7	10.9	1.25	1.36	8.6	2.03	2.27	11.8	59.9%

- o Total fuel expense jumped 23.3 percent as consumption rose 10.3 percent and unit fuel prices rose 11.7 percent to an average cost of 63.76 cents.
- o The ton load factor decreased 0.8 percentage points to 59.9 percent as ATM capacity growth, up 11.8 percent, exceeded RTM traffic growth, up 8.6 percent.

12-MONTH RESULTS

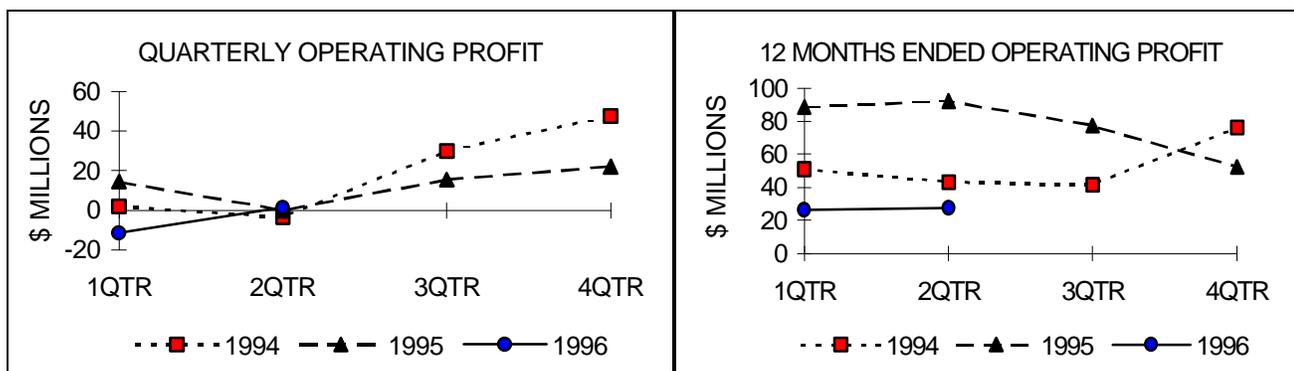
- o Operating profit, down over a year ago for the third consecutive period after three years of improvements, declined \$10.8 million to \$600.2 million as operating expenses, up 9.3 percent, grew faster than operating revenues, up 8.6 percent.
- o Net income slid \$18.6 million to \$286.9 million, the second consecutive year-to-year decline.
- o RTM traffic rose 4.4 percent, but ATM capacity grew nearly twice as fast, up 8.6 percent, causing the ton load factor down 2.4 percentage points to 60 percent.
- o Profits were eroded as RTM unit cost growth, up 4.7 percent, exceeded RTM yield growth, up 4 percent.
- o Interest expense fell \$24 million to \$105.9 million.
- o The debt-to-investment ratio declined 7 percentage points to 33.9 percent. Among all majors, only Southwest had a lower ratio.
- o Productivity (RTMs per employee) was unchanged over a year ago and remained the lowest among all majors at 73.4.

**QUARTERLY FINANCIAL & TRAFFIC REVIEW
SYSTEM OPERATIONS
FEDERAL EXPRESS CORP.**

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9606	9506	9606	9603	9512	9509	9506
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	2,690.2	2,433.2	10,289.2	10,032.2	9,825.6	9,652.8	9,477.4
2	Operating Expenses	2,508.0	2,267.8	9,689.0	9,448.8	9,244.7	9,058.1	8,866.5
3	Operating Profit (Loss)	182.1	165.4	600.2	583.4	580.9	594.7	611.0
4	Net Income (Loss)	89.7	78.8	286.9	276.1	282.4	303.6	305.5
<u>TRAFFIC: (Billions)</u>								
5	RTMs - Scheduled Rev. Svc.	1.29	1.18	4.99	4.89	4.83	4.79	4.72
6	ATMs - Scheduled Rev. Svc.	2.14	1.90	8.27	8.03	7.84	7.67	7.50
7	Overall RTMs (All Services)	1.36	1.25	5.26	5.15	5.12	5.08	5.04
8	Overall ATMs (All Services)	2.27	2.03	8.76	8.52	8.37	8.21	8.07
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	197.7	194.1	195.6	194.7	191.9	189.8	188.0
10	Operating Expense per RTM	184.3	180.9	184.2	183.4	180.6	178.1	175.9
11	Operating Profit (Loss) per RTM	13.4	13.2	11.4	11.3	11.3	11.7	12.1
12	Operating Expense per ATM	110.4	111.6	110.6	110.8	110.5	110.3	109.8
13	Passenger Revenue per RPM	++	++	++	++	++	++	++
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investm	*	*	2.62	2.57	2.56	2.54	2.51
15	Times Interest Earned	*	*	5.75	5.44	5.33	5.41	5.12
16	Current Assets to Current Liabilities	*	*	1.07	0.99	1.01	0.98	1.04
17	No. of Days Cash Coverage of Cash	*	*	3.7	3.9	5.1	4.2	12.8
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating	6.8	6.8	5.8	5.8	5.9	6.2	6.4
19	Net Income to Stockholders Equity	*	*	11.8	11.8	12.4	13.9	14.5
20	Corporate Return on Investment	*	*	10.0	9.9	10.3	11.1	11.5
21	Debt to Total Investment	*	*	33.9	37.7	38.5	40.3	40.9
<u>TON LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	59.9	61.7	60.0	60.5	61.2	61.9	62.4
23	Breakeven	++	++	++	++	++	++	++
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg C	72,982	69,486	71,725	70,851	69,987	69,215	68,714
25	Overall RTM's per Employee (000)	18.6	18.0	73.3	72.7	73.2	73.5	73.4

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	10.6	9.9	8.6	8.4	9.2	10.1	10.8
27	Operating Expenses (%)	10.6	10.8	9.3	9.3	10.1	10.8	10.9
28	Operating Profit (Loss) (in Millions \$)	16.7	-0.3	-10.8	-27.9	-18.6	2.3	49.4
29	Net Income (Loss)(in Millions \$)	10.9	13.7	-18.6	-15.7	5.5	60.4	87.2
30	RTMs (Sch. Svc.) (%)	8.6	8.0	4.4	4.2	6.9	10.5	13.8
31	ATMs (Sch. Svc.) (%)	11.7	10.0	8.5	8.1	8.9	10.4	11.6
32	Operating Revenues per RTM (%)	1.9	1.8	4.0	4.1	2.1	-0.5	-2.7
33	Operating Expense per RTM (%)	1.9	2.6	4.7	4.9	3.0	0.2	-2.6
34	Passenger Revenue per RPM (Sch.	++	++	++	++	++	++	++

QUARTERLY FINANCIAL & TRAFFIC REVIEW SYSTEM OPERATIONS UNITED PARCEL SERVICE



QUARTERLY RESULTS

- o Operating revenues, up 8.7 percent, grew slightly faster than operating expenses, up 8.4 percent, causing operating profit to rise \$1.1 million to \$1.2 million.
- o Net results also improved \$1.1 million to a profit of \$1.2 million.
- o The domestic and Atlantic divisions reported operating and net losses, while the Latin and Pacific divisions reported operating and net profits. Improvements in domestic operations overshadowed the deteriorations in combined international operations to produce the systemwide gains.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			TON
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RTMs (All Svc.)			ATMs (All Svc.)			
	1995	1996	\$ Change	1995	1996	\$ Change	1995	1996	Change %	1995	1996	Change %	
Domestic	-8.3	-2.9	5.4	-9.4	-4.5	4.9	0.64	0.65	1.7	1.10	1.12	1.4	58.2%
Int'l	8.4	4.1	-4.3	9.5	5.7	-3.8	0.18	0.17	-1.1	0.33	0.32	-1.5	54.5%
Atlantic	0.0	-2.7	-2.7	-0.1	-3.9	-3.8	0.07	0.06	-7.3	0.12	0.11	-5.2	57.7%
Latin	-1.3	4.1	5.4	-1.5	5.8	7.3	0.00	0.00	33.3	0.00	0.01	12.2	50.9%
Pacific	9.7	2.7	-7.0	11.1	3.8	-7.3	0.11	0.11	2.3	0.20	0.20	0.2	52.8%
System	0.1	1.2	1.1	0.1	1.2	1.1	0.82	0.82	1.1	1.43	1.44	0.8	57.4%

- o RTM yield, up 7.5 percent, rose slightly faster than RTM unit costs, up 7.1 percent, boosting profits.
- o RTM traffic rose 1.2 percent as ATM capacity inched upward 0.8 percent, causing the ton load factor to climb 0.2 percentage points to 57.4 percent.
- o UPS continues to be the most productive major in terms of RTMs per employee, improving from 196.3 a year ago to 204.9.

12-MONTH RESULTS

- o For the third consecutive quarter-ended 12-month period, operating expenses, up 10.6 percent, grew much faster than operating revenues, up 5.9 percent.
- o Operating profit dropped \$64.6 million to \$27.5 million.
- o Net income also deteriorated, down \$46.8 million to \$8.3 million.
- o RTMs gained 5.5 percent while ATM capacity rose a slower 3.3 percent, causing the ton load factor to increase 1.3 percentage points to 57.6 percent.
- o Productivity (RTMs per employee) continues to be very high when compared with all other majors, rising from 793.2 a year ago to 819.4.
- o UPS was the only major to show an increase in total debt, which jumped \$359.2 million as the carrier received advances from its primary company. This increase led to the only increase among the majors in the debt-to-investment ratio, up 4.1 percentage points to 69.8 percent.

**QUARTERLY FINANCIAL & TRAFFIC REVIEW
SYSTEM OPERATIONS
UNITED PARCEL SERVICE**

ITEMS	QUARTER ENDED		12 MONTHS ENDED					
	9606	9506	9606	9603	9512	9509	9506	
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	426.3	392.2	1,676.1	1,642.0	1,629.6	1,602.2	1,582.8
2	Operating Expenses	425.1	392.1	1,648.7	1,615.7	1,577.5	1,524.8	1,490.6
3	Operating Profit (Loss)	1.2	0.1	27.5	26.3	52.1	77.5	92.1
4	Net Income (Loss)	1.2	0.1	8.3	7.3	29.6	43.6	55.1
<u>TRAFFIC: (Billions)</u>								
5	RTMs - Scheduled Rev. Svc.	0.17	0.82	0.69	1.33	1.95	2.58	3.18
6	ATMs - Scheduled Rev. Svc.	0.32	1.42	1.28	2.39	3.48	4.66	5.66
7	Overall RTMs (All Services)	0.82	0.82	3.37	3.36	3.35	3.25	3.19
8	Overall ATMs (All Services)	1.44	1.43	5.85	5.84	5.82	5.76	5.67
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	51.7	48.1	49.8	48.9	48.7	49.3	49.6
10	Operating Expense per RTM	51.5	48.1	48.9	48.1	47.1	47.0	46.7
11	Operating Profit (Loss) per RTM	0.2	0.0	0.8	0.8	1.6	2.4	2.9
12	Operating Expense per ATM	29.6	27.5	28.2	27.7	27.1	26.5	26.3
13	Passenger Revenue per RPM	++	++	++	++	++	++	++
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Invest	*	*	0.60	0.61	0.64	0.66	0.70
15	Times Interest Earned	*	*	24.10	40.94	704.99	295.51	336.99
16	Current Assets to Current Liabilities	*	*	2.71	3.38	2.47	2.17	2.90
17	No. of Days Cash Coverage of Cash	*	*	0.3	28.9	3.0	3.7	1.2
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating	0.3	0.0	1.6	1.6	3.2	4.8	5.8
19	Net Income to Stockholders Equity	*	*	1.0	0.8	3.4	5.1	6.5
20	Corporate Return on Investment	*	*	0.3	0.3	1.2	1.8	2.4
21	Debt to Total Investment	*	*	69.8	70.9	69.1	66.6	65.7
<u>TON LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	57.4	57.2	57.6	57.5	57.5	56.4	56.3
23	Breakeven	++	++	++	++	++	++	++
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg C	4,028	4,170	4,112	4,147	4,177	4,131	4,025
25	Overall RTM's per Employee (000)	204.7	195.6	819.3	810.2	801.5	786.0	793.2

CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER								
26	Operating Revenues (%)	8.7	14.8	5.9	7.2	11.3	16.5	19.4
27	Operating Expenses (%)	8.4	13.5	10.6	11.9	13.6	14.4	16.2
28	Operating Profit (Loss) (in Millions \$)	1.1	3.6	-64.6	-62.2	-24.0	35.9	49.0
29	Net Income (Loss)(in Millions \$)	1.1	1.5	-46.8	-46.2	-11.2	31.7	41.8
30	RTMs (Sch. Svc.) (%)	1.1	13.4	5.5	8.5	14.3	16.5	20.1
31	ATMs (Sch. Svc.) (%)	0.8	15.0	3.3	6.6	12.3	17.9	23.0
32	Operating Revenues per RTM (%)	7.5	1.3	0.4	-1.2	-2.6	0.0	-0.4
33	Operating Expense per RTM (%)	7.1	0.2	4.7	3.2	-0.6	-1.7	-3.1
34	Passenger Revenue per RPM (Sch.	++	++	++	++	++	++	++

FOOTNOTES

- * Not calculated on a quarterly basis.
- ** Cannot be calculated because balance sheet data not presented on an entity basis.
Data presented only on a system basis.
- ++ Not calculated for all-cargo carriers.
- # Meaningful calculation cannot be made because of negative data.
- & Over +/- 500 percent.

EXPLANATION OF LINE ITEMS

LINE #	DESCRIPTION OF LINE ITEM	DERIVATION OF LINE ITEM
1	Operating Revenues	Operating Revenues (Account 4999)
2	Operating Expenses	Operating Expenses (Account 7199)
3	Operating Profit or Loss	Operating Profit (Account 7999)
4	Net Income or Loss	Net Income (Account 9899)
5	Overall Revenue Ton-miles	Overall Revenue Ton-miles (Item Z-240)
6	Overall Available Ton-miles	Overall Available Ton-miles (Item Z-280)
7	Revenue Passenger-Miles (Scheduled Service)	Total scheduled revenue passenger-miles (Item K-140)
8	Available Seat-Miles (Scheduled Service)	Total scheduled available seat-miles (Item K-280)
9	Operating revenue per revenue ton-mile	$\frac{\text{Operating revenues (Account 4999)}}{\text{Overall revenue ton-miles (Item Z-240)}}$
10	Operating expense per revenue ton-mile	$\frac{\text{Operating expenses (Account 7199)}}{\text{Overall revenue ton-miles (Item Z-240)}}$
11	Operating profit per revenue ton-mile	$\frac{\text{Operating profit (Account 7999)}}{\text{Overall revenue ton-miles (Item Z-240)}}$
12	Operating expense per available ton-mile	$\frac{\text{Operating expenses (Account 7199)}}{\text{Overall available ton-miles (Item Z-280)}}$
13	Passenger revenue per revenue passenger-mile (scheduled service)	$\frac{\text{Passenger revenues (scheduled service) (Account 3901)}}{\text{Total revenue passenger-miles (scheduled service) (Item K-140)}}$
14	Operating revenues to total investment	$\frac{\text{Operating revenue (Account 4999)}}{\text{Total investment (See line 20)}}$
15	Times interest earned	$\frac{\text{Income Before income taxes (Account 8999) + interest on long-term debt and capital leases (Account 8181) + Other interest expense (Account 8182)}}{\text{Interest on long-term debt and capital leases (Account 8181) + Other interest expense (Account 8182)}}$
16	Current assets to current liabilities	$\frac{\text{Current assets (Account 1499)}}{\text{Current liabilities (Account 2199)}}$
17	Number of days coverage of cash operating expenses	$\frac{\text{Cash (Account 1010) + short-term investments (Account 1100)}}{\text{[Total operating expenses (Account 7199) less depreciation and amortization (Account 7000)]/365}}$
18	Operating Profit to operating revenues	$\frac{\text{Operating profit (Account 7999)}}{\text{Operating revenues (Account 4999)}}$
19	Net income to stockholders' equity	$\frac{\text{Net income (Account 9999)}}{\text{Stockholders' equity (Account 2995) (5 Quarter average)}}$

EXPLANATION OF LINE ITEMS

LINE #	DESCRIPTION OF LINE ITEM	DERIVATION OF LINE ITEM
20	Overall corporate rate of return	<p><u>Net income plus interest expense</u> <u>Total investment</u></p> <p>Net income plus interest expense is: Net income (Account 9899) + interest on long-term debt and capital leases (Account 8181) + other interest expense (Account 8182) + amortization of debt discount, premium and expense (Account 8184).</p> <p>Total investment is: Current maturities of long-term debt (Account 2000) + current obligations under capital leases (Account 2080) + long-term debt (Account 2210) + advances from associated companies (Account 2240) + noncurrent obligations under capital leases (Account 2280) + stockholders' equity (Account 2995) - unamortized debt expense (Account 1840). (A five-quarter average is used).</p>
21	Debt to total investment (end of period)	<p>Current maturities of long-term debt (Account 2000) + current obligations under capital leases (Account 2080) + long-term debt (Account 2210) + advances from associated companies (Account 2240) + noncurrent obligations under capital leases (Account 2280) - unamortized debt expense (Account 1840)</p> <p><u>Total investment (See line 20)</u></p>
22	Actual passenger load factor (scheduled service)	<p><u>Revenue passenger-miles (scheduled service (Item K-140)</u> <u>Available seat-miles (scheduled service (Item K-280)</u></p>
23	Operating breakeven load factor (scheduled service)	<p><u>Capacity operating expense, scheduled service (passenger)</u> [Scheduled passenger revenue (Account 3901) - Traffic operating expense, passenger scheduled service] / Actual passenger load factor, scheduled service</p>
24	Difference, actual-breakeven load factor	<p>Actual (Line 22) - Breakeven (Line 23)</p>
25	Employees	<p>Number of full time employees (Average for 12-month ended period)</p>
26	Overall revenue ton-miles per employee	<p><u>Overall revenue ton-miles (Item Z-240)</u> <u>Average # of employees (See Line 25)</u></p>